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ARIZONA DEPARTMENT OF REVENUE

1989 ANNUAL REPORT

ARIZONA DEPARTMENT OF REVENUE

1600 WEST MONROE • PHOENIX, ARIZONA 85007

ROSE MOFFORD
GOVERNOR

PAUL WADDELL
DIRECTOR

November 15, 1989

The Honorable Rose Mofford
Governor, State of Arizona
1700 West Washington
Phoenix, Arizona 85007

Dear Governor Mofford:

The Arizona Department of Revenue is pleased to submit to you and the 39th State Legislature our annual report for the fiscal year ending June 30, 1989.

We are proud at the Department of Revenue of the progress made in improving both the effectiveness and efficiency of the state's tax collection efforts.

These efforts resulted in collections by the Department of Revenue of more than $3.2 billion, $2.4 billion of which was deposited directly into the State General Fund.

More than $1.7 billion came from sales and use taxes, $1.4 from income taxes and nearly $93 million from property taxes, $92 million in luxury taxes, with the remainder from estate and other taxes.

It is our hope that this report will facilitate taxpayer understanding of the operation of the Department and its efforts to fairly and equitably enforce all tax laws.

Sincerely,

ARIZONA DEPARTMENT OF REVENUE

Paul Waddell
Director

PW:ld

ARIZONA DEPARTMENT OF REVENUE

1989 ANNUAL REPORT

Prepared by the
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STATE OF ARIZONA
1989 ANNUAL REPORT
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TABLE 1
REVENUE SUMMARY - GROSS REVENUE COLLECTED

SOURCE	1984-85	1985-86	1986-87	1987-88	1988-89
SALES AND USE TAX[1]					
Distribution Base	$464,532,524	$490,395,472	$519,015,701	$547,506,889	$604,226,720
Nonshared Portion	844,944,102	909,602,932	958,559,275	988,466,081	1,055,893,436
Use Tax	54,846,386	59,415,099	52,549,878	61,797,123	64,805,718
Subtotal	1,364,323,012	1,459,413,503	1,530,124,854	1,597,770,093	1,724,925,874
INCOME TAX					
Withholding	520,151,450	576,701,78	599,660,202	698,699,875	773,395,690
Individual	254,354,660	275,161,560	333,498,960	345,881,711	370,129,112
Corporation	215,436,786	213,236,463	249,213,473	229,759,928	257,153,477
Subtotal	989,942,896	1,065,099,805	1,182,372,635	1,274,341,514	1,400,678,279
LUXURY TAX					
Spirituous Liquor	17,049,450	18,034,731	17,059,104	17,287,330	17,532,966
Vinous Liquor	6,785,029	7,563,260	7,832,584	7,907,950	6,817,303
Malt Liquor	14,102,897	15,250,805	15,927,165	15,705,711	16,193,267
Tobacco - All Types	51,386,983	51,419,032	51,781,811	53,028,844	51,418,132
Licensing	1,575	1,575	1,600	1,600	1,425
Subtotal	89,325,934	92,269,403	92,602,264	93,931,435	91,963,093
OTHER REVENUES					
Estate	15,302,387	13,528,098	26,389,374	32,276,168	25,453,753
Unclaimed Property	1,864,695	2,531,318	4,824,885	4,281,091	5,742,921
Escheated Estate and Unclaimed Dividends	169,676	123,259	202,756	141,577	150,177
Subtotal	17,336,758	16,182,675	31,417,015	36,698,836	31,346,851
Bingo	412,285	600,158	730,593	798,818	845,841
Flight Property Tax	2,679,799	3,568,308	5,630,177	6,859,428	8,381,082
Private Car Tax	750,036	951,942	654,627	541,639	675,653
Nuclear Plant Assessment	286,676	410,515	458,200	483,700	601,100
DEPARTMENT TOTAL	$2,465,057,396	$2,638,496,309	$2,843,990,385	$3,011,425,463	$3,259,417,773
State Property Tax[2]	54,989,232	55,750,910	59,285,256	67,389,020	92,715,743
TOTAL[3]	$2,520,046,629	$2,694,247,219	$2,520,046,628	$3,078,814,483	$3,352,133,516

1 Prior to FY 85-86, sales and use tax includes refunds and charge-offs.
2 Deposited in the general fund by counties
3 All revenues including those which are eventually refunded or distributed to local government; does not include municipal sales tax

TABLE 2
NET REVENUE TO STATE GENERAL FUND

SOURCE	1984-85	1985-86
Sales, Use and Severance Tax	$1,070,242,440	$1,150,175,481
Income Tax	730,874,978	968,464,778
Luxury Tax	68,534,883	69,470,809
Estate Tax/ Unclaimed Property	16,384,988	15,442,463
Bingo	[1]412,285	600,158
Flight Property Tax	2,679,799	3,568,308
Private Car Tax	750,036	951,942
Nuclear Plan Assessment	286,676	410,515
Department Total	$1,890,166,085	$2,012,068,266
State Property Tax[2]	54,989,232	55,750,910
TOTAL	$1,945,155,317	$2,067,819,176

1 Prior to FY 85-86, all Bingo collections went to the General Fund. From FY 85-86 to 10/88, collections were divided between the General Fund and the Bingo Administration Fund. Effective 10/88, all Bingo collections again go to the General Fund.
2 Deposited in the State General Fund by counties.

TABLE 3
GROSS COLLECTIONS OF AUDIT ASSESSMENTS AND DELINQUENT TAX
1987-88 AND 1988-89

	1987-88	1988-89	% CHANGE
AUDIT COLLECTIONS			
Assessment Collections (Gross)	$55,149,323	$52,981,307	-3.93%
Miscellaneous Taxes (net of credit)	$4,127,065	$5,640,471	36.67%
TOTAL AUDIT UNIT COLLECTIONS	$59,276,388	$58,621,778	- 1.10%
TOTAL BILLINGS	$80,895,094	$75,976,878	-6.08%
TOTAL DELINQUENT TAX COLLECTIONS	$72,653,361	$87,218,618	20.05%
TOTAL UNADJUSTED ENFORCEMENT COLLECTIONS	$212,824,843	$221,817,274	4.23%
ADJUSTMENTS			
Duplication, Credit Audits and Other Adjustments as reported[1]	($58,322,519)	($55,910,525)	-4.14%
TOTAL ADJUSTED ENFORCEMENT COLLECTIONS[2]	$154,502,324	$165,906,749	7.38%
[3]REFUND DENIALS	$1,670,325	$23,967,116	1334.88%

1 Collections are adjusted to account for audit transactions where joint efforts by audit and collections were responsible for the actual collection and both sections recorded the transaction in their separate tracking systems. In addition, audits resulting in credit adjustments are subtracted to produce an actual figure representing the net gain to the state from Enforcement Division efforts.

2 Actual amounts resulting from the Department's enforcement effort.

3 In 1987-88 refund denials were included in the total collections in last year's report. As refund denials do not necessarily reflect actual collections and should not be included, adjustments were made accordingly.

Transaction Privilege Tax

Major Features

Arizona's Transaction Privilege (sales) tax is imposed on the privilege of transacting business in the state. The rates range from .46875 of 1 percent to 5.5 percent, depending on the type of business, with most rates at 5 percent. (Refer to Table 4)

An additional tax usually considered to be sales tax is the rental occupancy tax which is levied at the rate of 3 percent on real property on a long-term lease entered into prior to December 1, 1967.

Severance Tax

A severance tax is imposed in lieu of a transaction privilege tax on the business of mining metalliferous metals and severing timber. The severance rates are 2.5 percent on mining metalliferous metals and 1.5 percent on timbering. (Refer to Table 4)

Distribution

The total of transaction privilege, rental occupancy and severance taxes create a tax base which is distributed into two parts, distribution base and nonshared.

The distribution base is the portion of the tax which is shared with counties and municipalities. It is divided among municipalities (25 percent), counties (38.08 percent) and the state general fund (36.92 percent). The nonshared portion of transaction privilege taxes, rental occupancy and severance taxes are deposited directly to the state general fund. (Refer to Tables 7 through 24.)

Use Tax

A use tax, at the rate of 5 percent, is imposed on the purchase price of tangible personal property from either in-state or out-of-state vendors for which a sales tax (equal to or greater than the Arizona rate) was not paid.

Use tax is also imposed on anyone with nexus in this state, soliciting orders for tangible personal property by mail, or other methods, if the solicitation is substantial and recurring. A firm without nexus may voluntarily pay use tax for the benefit of their customers.

Municipal Sales Tax Collection Program

The Arizona Department of Revenue is authorized to collect municipal sales tax for Arizona cities and towns. The municipal sales tax is retained by the state and deposited to the general fund. Once the department collects the local taxes, weekly distribution checks are processed. The service is provided at no charge to the cities. During 1988-89, 69 cities and towns participated in the program. (Refer to Tables 25 and 26)

TABLE 4
GROSS SALES, USE AND SEVERANCE TAX COLLECTIONS

SOURCE	1984-85	1985-86	1986-87	1987-88	1988-89
Distribution Base	$464,532,524	$490,395,472	$519,015,701	$547,506,889	$604,226,720
Nonshared	844,944,102	909,602,932	958,559,275	988,466,081	1,055,893,436
Use Tax	54,846,386	59,415,099	52,549,878	61,797,123	64,805,718
SUBTOTAL	$1,364,323,012	$1,459,413,503	$1,530,124,854	$1,597,770,093	$1,724,925,874
911 Excise Tax	1,178,370	1,282,523	1,878,873	3,558,566	3,677,444
Telecommunications Devices	----	456,638	538,744	564,095	1,161,617
Less Collection Fees	(171,270)	(-35,667)	(133,834)	(33,485)	(5,547)
GROSS STATE COLLECTIONS	$1,365,330,112	$1,461,188,331	$1,532,408,637	$1,601,859,269	$1,729,759,388
City Sales Tax	45,595,426	51,527,477	56,602,528	63,372,873	69,681,317
Pima County Hotel Tax	----	----	349,599	626,786	713,311
Maricopa County Road Tax	----	37,005,284	94,830,790	99,190,010	106,250,460
Pinal County Road Tax	----	----	1,144,080	2,854,839	3,136,941
Yuma County Road Tax	----	----	----	2,403,620	2,765,529
TOTAL DEPARTMENT OF REVENUE RECEIPTS	$1,410,925,538	$1,549,721,092	$1,685,335,634	$1,767,903,777	$1,909,541,417

TABLE 5
SALES AND SEVERANCE TAX RATES
1988-89

TAXABLE ACTIVITIES	DISTRIBUTION BASE	NONSHARED	TOTAL TAX
1. Transporting and Towing	1%	4%	5%
2. Nonmetalliferous Mining, Oil and Gas Production	1%	2.125%	3.125%
4. Utilities	1%	4%	5%
5. Communications	1%	4%	5%
6. Railroads and Aircraft	1%	4%	5%
7/8. Private Car/Pipelines	1%	4%	5%
9. Publishing	1%	4%	5%
10. Printing	1%	4%	5%
11. Restaurants and Bars	2%	3%	5%
12. Amusements	2%	3%	5%
*13. Real Property Rentals	2.666%	2.334%	5%
14. Personal Property Rentals	2%	3%	5%
15. Contracting	1%	4%	5%
16. Feed Wholesale	0.25%	0.21875%	0.46875%
17. Retail	2%	3%	5%
19. Mining Severance	2%	0.5%	2.5%
20. Timbering Severance	1.2%	0.3%	1.5%
24. Prime Contracts entered into prior to May 1983	1%	3%	4%
*25. Hotel/Motel Tax	2.75%	2.75%	5.5%
26. Prime Contracts entered into prior to July 1974	1%	2.75%	3.75%
28. Rental Occupancy Tax	2%	1%	3%
29. Use Tax	0%	5%	5%
30. Use Inventory Tax	0%	5%	5%
34. Prime Contracts entered into prior to October 1985	1%	4%	5%
35. Prime Contracts entered into prior to November 1986	1%	4%	5%

* Tax rate change 8/1/88 - Hotel/Motel from 4% to 5.5%
Rental Real Property from 3.75% to 5%.

TABLE 6
NET TAXABLE SALES
BY SALES TAX CLASSIFICATIONS

CLASSIFICATION	1984-85	% OF TOTAL	1985-86	% OF TOTAL	1986-87	% OF TOTAL	1987-88	% OF TOTAL	1988-89	% OF TOTAL
Transportation and Towing	$39,537,070	0.14	$20,081,552	0.07						
Mining, Oil and Gas	97,160,930	0.35	51,905,715	0.18	$14,922,455	0.05	$20,463,769	0.06	$28,758,044	0.08
Mining Severance	673,405,105	2.46	564,725,067	1.94	148,913,432	0.49	126,829,396	0.40	124,056,131	0.36
Mining Inventory	5,556,618	0.02	—	—	479,166,973	1.57	770,738,944	2.41	1,236,275,952	3.63
Timbering	40,585	0.00[3]	—	—	—	—	—	—		
Timbering Severance	21,991,064	0.08	25,199,054	0.09	6,322	0.00[3]	—	—		
Utilities	2,769,070,659	10.11	2,923,250,155	10.03	32,029,321	0.10	37,165,049	0.12	37,568,899	0.11
Communications	564,670,401	2.06	608,624,412	2.09	2,895,843,655	9.47	3,149,235,562	9.86	3,390,805,649	9.94
Railroads and Aircraft	25,865,600	0.10	32,087,646	0.11	743,710,309	2.43	722,787,773	2.26	819,025,883	2.40
Private Car and Pipelines	4,891,295	0.02	2,098,655	0.01	27,433,757	0.09	23,272,411	0.07	22,926,466	0.07
Publishing	70,517,036	0.26	58,505,068	0.20	1,703,345	0.01	2,472,598	0.01	2,318,484	0.01
Job Printing	227,963,894	0.83	359,412,160	1.23	56,990,286	0.19	18,412,858	0.06	59,142,634	0.17
Local Advertising[1]	521,300,738	1.90	386,559,578	1.33	294,494,396	0.96	311,119,479	0.97	320,103,704	0.94
Restaurants and Bars	2,089,040,364	7.63	2,288,763,194	7.86	2,019,771	0.01	1,209,023	0.00	402,963	[3]0.00
Amusements	228,011,817	0.83	208,425,050	0.72	2,495,947,895	8.16	2,642,915,603	8.28	2,797,555,980	8.20
Real Property Rentals	1,197,994,864	4.38	1,216,090,543	4.17	256,567,864	0.84	281,444,023	0.88	316,264,130	0.93
Personal Property Rentals	1,282,648,972	4.68	1,142,010,149	3.92	1,424,142,351	4.65	1,567,435,284	4.91	[5]1,837,185,066	5.39
Contracting	3,670,815,088	13.41	4,216,936,438	14.47	1,167,714,064	3.82	1,280,376,048	4.01	1,302,238,894	3.82
Wholesale Feed	250,844,516	0.92	201,744,264	0.69	4,652,177,267	15.21	4,250,110,470	13.31	4,181,881,358	12.26
Retail	13,257,124,775	48.41	14,266,722,878	48.96	186,810,139	0.61	211,794,077	0.66	187,274,438	0.55
Hotel/Motel	387,005,772	1.41	530,216,128	1.82	15,029,620,336	49.15	15,754,847,677	49.34	16,646,682,343	48.82
Agricultural Equipment[2]	—		33,490,097	0.11	631,782,728	2.07	711,777,198	2.23	[6]782,063,804	2.29
					37,286,366	0.12	46,395,579	0.15	3,935,874	0.01
TOTAL	$27,385,457,163	100.00	[4]$29,136,847,803	100.00	$30,579,283,032	100.00	$31,930,802,821	00.00	$34,096,466,696	100.00

1 Local advertising designated a separate class on January 1, 1983. Phased out on January 1, 1986.
2 Agricultural equipment designated a separate class on April 18, 1985 when tax rate dropped from 5% to 3%. Phased out on July 1, 1988.
3 Percent of total is less than 0.01%.
4 Net taxable sales are based on sales tax receipts net of the accounting allowance to the business firms. Effective July, 1985.
5 Tax rate change on 8-1-88 from 3.75% to 5%.
6 Tax rate change on 8-1-88 from 4% to 5.5%.

TABLE 7
SALES TAX COLLECTIONS BY CLASS
1988-89

CLASSIFICATION	DISTRIBUTION BASE	NONSHARED	TOTAL SALES TAX COLLECTIONS
Transporting and Towing	287,582	1,147,419	1,435,001
Nonmetal Mining, Oil and Gas	1,240,561	2,636,568	3,877,129
Mining Severance	24,725,519	6,181,380	30,906,899
Timbering Severance	450,827	112,707	563,534
Utilities	33,908,058	135,632,326	169,540,384
Communications	8,190,259	32,761,301	40,951,560
Railroads and Aircraft	229,265	917,058	1,146,323
Private Car and Pipelines	23,185	92,739	115,924
Publishing	591,428	2,365,676	2,957,104
Printing	3,201,047	12,799,368	16,000,415
Local Advertising	4,029	1,517	5,546
Restaurants and Bars	55,951,095	83,898,321	139,849,416
Amusements	6,325,281	9,487,418	15,812,699
Rentals of Real Property	47,015,321	41,141,557	88,156,878
Rentals of Personal Property	26,044,764	39,066,950	65,111,714
Contracting	41,818,879	166,778,227	208,597,106
Wholesale Feed	468,407	409,899	878,306
Retail	332,933,481	499,314,879	832,248,360
Hotel/Motel	20,756,238	20,756,159	41,512,397
Agricultural Equipment	0	39,040	39,040
Rental Occupancy Tax	61,496	30,743	92,239
Use Tax	0	64,805,718	64,805,718
License Fees	0	460,979	460,979
Utilities Credit	0	(138,794)	(138,794)
TOTAL	$604,226,720	$1,120,699,154	$1,724,925,874

Figures may not add to total due to rounding.

TABLE 8
DISTRIBUTION OF SALES TAX COLLECTIONS
1988-89

Net to State General Fund	$1,340,809,656
Net to Cities	$151,056,680
Net to Counties	$230,089,535
Disease Control	$2,970,000
911 Excise, Telecommunications Devices	$4,839,061
TOTAL GROSS COLLECTIONS	$1,729,764,935

TABLE 9
DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS IN APACHE COUNTY FOR THE PERIOD BEGINNING JULY 1, 1988 AND ENDING JUNE 30, 1989

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS		NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
4.	Utilities	$9,798,610	1%	$97,986
5.	Communications	$5,843,342	1%	$58,433
9.	Publishing	$279,938	1%	$2,799
11.	Restaurants and Bars	$5,677,578	2%	$113,552
12.	Amusements	$279,799	2%	$5,596
13.	Rentals of Real Property	$1,733,158	2.666%	$42,746
14.	Rentals of Personal Property	$2,567,566	2%	$51,351
*	Contracting	$36,283,872	1%	$362,839
17.	Retail	$77,214,429	2%	$1,544,289
25.	Hotel/Motel	$2,671,669	2.75%	$68,048
	Other Taxable Activities	$80,787,791		$163,282
TOTAL		$223,137,752		$2,510,921

Figures may not add to total due to rounding.

*Includes classes 15, 24, 26, 34 and 35.

TABLE 10
DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS IN COCHISE COUNTY FOR THE PERIOD BEGINNING JULY 1, 1988 AND ENDING JUNE 30, 1989

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
4. Utilities	$88,614,223	1%	$886,142
5. Communications	$16,554,930	1%	$165,549
9. Publishing	$528,309	1%	$5,283
11. Restaurants and Bars	$44,592,907	2%	$891,858
12. Amusements	$2,682,931	2%	$53,659
13. Rentals of Real Property	$14,776,808	2.666 %	$381,872
14. Rentals of Personal Property	$10,645,667	2%	$212,913
* Contracting	$40,674,007	1%	$406,740
17. Retail	$281,307,907	2%	$5,626,157
25. Hotel/Motel	$10,435,190	2.75%	$273,328
Other Taxable Activities	$18,579,488		$104,494
TOTAL	$529,392,367		$9,007,995

Figures may not add to total due to rounding.

*Includes classes 15, 24, 26, 34 and 35.

TABLE 11
DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS IN COCONINO COUNTY FOR THE PERIOD BEGINNING JULY 1, 1988 AND ENDING JUNE 30, 1989

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS		NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
4.	Utilities	$75,332,959	1%	$753,330
5.	Communications	$21,085,973	1%	$210,860
9.	Publishing	$1,383,452	1%	$13,835
11.	Restaurants and Bars	$120,027,985	2%	$2,400,559
12.	Amusements	$26,129,107	2%	$522,582
13.	Rentals of Real Property	$36,790,647	2.666%	$931,772
14.	Rentals of Personal Property	$28,532,925	2%	$570,658
*	Contracting	$139,368,538	1%	$1,393,686
17.	Retail	$430,203,962	2%	$8,604,078
25.	Hotel/Motel	$82,651,604	2.75%	$2,117,300
	Other Taxable Activities	$47,197,005		$346,064
TOTAL		$1,008,704,157		$17,864,724

Figures may not add to total due to rounding.

*Includes classes 15, 24, 26, 34 and 35.

TABLE 12
DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS IN GILA COUNTY FOR THE PERIOD BEGINNING JULY 1, 1988 AND ENDING JUNE 30, 1989

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS		NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
4.	Utilities	$69,017,897	1%	$690,179
5.	Communications	$4,522,159	1%	$45,222
9.	Publishing	$382,690	1%	$3,827
11.	Restaurants and Bars	$26,037,664	2%	$520,753
12.	Amusements	$1,169,188	2%	$23,384
13.	Rentals of Real Property	$5,550,889	2.666%	$140,879
14.	Rentals of Personal Property	$6,404,450	2%	$128,088
*	Contracting	$28,218,941	1%	$282,189
17.	Retail	$105,487,910	2%	$2,109,758
25.	Hotel/Motel	$4,949,999	2.75%	$127,351
	Other Taxable Activities	$225,172,901		$4,358,021
TOTAL		$476,914,688		$8,429,651

Figures may not add to total due to rounding.

*Includes classes 15, 24, 26, 34 and 35.

TABLE 13
DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS IN GRAHAM COUNTY FOR THE PERIOD BEGINNING JULY 1, 1988 AND ENDING JUNE 30, 1989

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS		NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
11.	Restaurants and Bars	$9,479,829	2%	$189,597
13.	Rentals of Real Property	$2,589,924	2.666%	$67,640
14.	Rentals of Personal Property	$2,535,388	2%	$50,708
*	Contracting	$9,777,478	1%	$97,775
17.	Retail	$74,463,419	2%	$1,489,268
	Other Taxable Activities	$22,775,874		$241,228
TOTAL		$121,621,912		$2,136,216

Figures may not add to total due to rounding.

*Includes classes 15, 24, 26, 34 and 35.

TABLE 14
DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS IN GREENLEE COUNTY FOR THE PERIOD BEGINNING JULY 1, 1988 AND ENDING JUNE 30, 1989

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS		NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
11.	Restaurants and Bars	$2,332,316	2%	$46,646
13.	Rentals of Real Property	$547,713	2.666%	$13,617
14.	Rentals of Personal Property	$1,971,840	2%	$39,437
*	Contracting	$13,651,867	1%	$136,519
17.	Retail	$26,939,616	2%	$538,792
	Other Taxable Activities	$370,184,441		$6,898,804
TOTAL		$415,627,793		$7,673,815

Figures may not add to total due to rounding.

* Includes classes 15, 24, 26, 34 and 35.

TABLE 15
DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS IN LA PAZ COUNTY FOR THE PERIOD BEGINNING JULY 1, 1988 AND ENDING JUNE 30, 1989

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS		NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
11.	Restaurants and Bars	$14,278,621	2%	$285,572
13.	Rentals of Real Property	$2,881,495	2.666%	$74,489
14.	Rentals of Personal Property	$2,392,999	2%	$47,860
*	Contracting	$22,830,255	1%	$228,303
17.	Retail	$54,573,979	2%	$1,091,479
25.	Hotel/Motel	$1,742,901	2.75%	$44,799
	Other Taxable Activities	$37,919,864		$471,856
TOTAL		$136,620,114		$2,244,358

Figures may not add to total due to rounding.

*Includes classes 15, 24, 26, 34 and 35.

TABLE 16
DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS IN MARICOPA COUNTY FOR THE PERIOD BEGINNING JULY 1, 1988 AND ENDING JUNE 30, 1989

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS		NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
4.	Utilities	$2,076,658,899	1%	$20,766,590
5.	Communications	$538,114,273	1%	$5,381,143
9.	Publishing	$39,159,952	1%	$391,601
11.	Restaurants and Bars	$1,766,346,296	2%	$35,326,905
12.	Amusements	$217,157,476	2%	$4,343,148
13.	Rentals of Real Property	$1,371,735,041	2.666%	$35,110,292
14.	Rentals of Personal Property	$980,995,972	2%	$19,619,907
*	Contracting	$2,796,693,869	1%	$27,966,999
17.	Retail	$10,830,385,335	2%	$216,607,564
25.	Hotel/Motel	$443,124,809	2.75%	$11,885,643
	Other Taxable Activities	$2,079,459,087		$3,128,235
TOTAL		$23,139,831,009		$380,528,027

Figures may not add to total due to rounding.

*Includes classes 15, 24, 26, 34 and 36.

TABLE 17
DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS IN MOHAVE COUNTY FOR THE PERIOD BEGINNING JULY 1, 1988 AND ENDING JUNE 30, 1989

	TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
4.	Utilities	$78,204,369	1%	$782,044
5.	Communications	$16,775,767	1%	$167,758
9.	Publishing	$546,656	1%	$5,467
11.	Restaurants and Bars	$61,707,262	2%	$1,234,145
12.	Amusements	$3,960,508	2%	$79,210
13.	Rentals of Real Property	$20,227,593	2.666%	$516,810
14.	Rentals of Personal Property	$17,884,254	2%	$357,685
*	Contracting	$109,955,309	1%	$1,099,553
17.	Retail	$339,278,519	2%	$6,785,570
25.	Hotel/Motel	$31,812,836	2.75%	$825,266
	Other Taxable Activities	$44,434,574		$267,248
TOTAL		$724,787,647		$12,120,756

Figures may not add to total due to rounding.

*Includes classes 15, 24, 26, 34 and 35.

TABLE 18
DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS IN NAVAJO COUNTY FOR THE PERIOD BEGINNING JULY 1, 1988 AND ENDING JUNE 30, 1989

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS		NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
4.	Utilities	$40,982,222	1%	$409,822
5.	Communications	$12,756,000	1%	$127,560
9.	Publishing	$571,411	1%	$5,714
11.	Restaurants and Bars	$32,803,689	2%	$656,074
12.	Amusements	$1,382,036	2%	$27,641
13.	Rentals of Real Property	$8,440,495	2.666%	$212,541
14.	Rentals of Personal Property	$6,627,259	2%	$132,545
*	Contracting	$39,683,690	1%	$396,837
17.	Retail	$290,577,522	2%	$5,811,550
25.	Hotel/Motel	$13,754,554	2.75%	$351,488
	Other Taxable Activities	$121,964,467		$973,270
TOTAL		$569,543,345		$9,105,042

Figures may not add to total due to rounding.

*Includes classes 15, 24, 26, 34 and 35.

TABLE 19
DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS IN PIMA COUNTY FOR THE PERIOD BEGINNING JULY 1, 1988 AND ENDING JUNE 30, 1989

	TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
4.	Utilities	$545,610,522	1%	$5,456,105
5.	Communications	$142,631,454	1%	$1,426,315
9.	Publishing	$12,406,552	1%	$124,066
11.	Restaurants and Bars	$516,283,714	2%	$10,325,674
12.	Amusements	$49,969,273	2%	$999,386
13.	Rentals of Real Property	$302,101,953	2.666%	$7,729,598
14.	Rentals of Personal Property	$190,981,758	2%	$3,819,636
*	Contracting	$629,474,566	1%	$6,294,747
17.	Retail	$2,918,807,303	2%	$58,376,141
25.	Hotel/Motel	$144,507,775	2.75%	$3,841,567
	Other Taxable Activities	$422,940,628		$5,441,008
TOTAL		$5,875,715,498		$103,834,243

Figures may not add to total due to rounding.

*Includes classes 15, 24, 26, 34 and 35.

TABLE 20
DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS IN PINAL COUNTY FOR THE PERIOD BEGINNING JULY 1, 1988 AND ENDING JUNE 30, 1989

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS		NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
4.	Utilities	$133,660,402	1%	$1,336,604
5.	Communications	$15,135,883	1%	$151,359
9.	Publishing	$1,021,385	1%	$10,214
11.	Restaurants and Bars	$48,474,465	2%	$969,488
12.	Amusements	$5,120,124	2%	$102,402
13.	Rentals of Real Property	$13,990,416	2.666%	$358,545
14.	Rentals of Personal Property	$12,689,592	2%	$253,792
*	Contracting	$95,443,069	1%	$954,432
17.	Retail	$287,243,110	2%	$5,744,855
25.	Hotel/Motel	$8,136,632	2.75%	$215,333
	Other Taxable Activities	$366,056,446		$6,039,945
TOTAL		$986,971,524		$16,136,969

Figures may not add to total due to rounding.

*Includes classes 15, 24, 26, 34 and 35.

TABLE 21
DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS IN SANTA CRUZ COUNTY FOR THE PERIOD BEGINNING JULY 1, 1988 AND ENDING JUNE 30, 1989

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS		NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
5.	Communications	$5,154,322	1%	$51,543
11.	Restaurants and Bars	$19,250,833	2%	$385,017
12.	Amusements	$973,520	2%	$19,47013
13.	Rentals of Real Property	$10,537,866	2.666%	$271,416
14.	Rentals of Personal Property	$5,087,261	2%	$101,745
*	Contracting	$21,578,514	1%	$215,785
17.	Retail	$162,152,938	2%	$3,243,059
25.	Hotel/Motel	$5,484,572	2.75%	$143,347
	Other Taxable Activities	$20,321,070		$180,502
TOTAL		$250,540,896		$4,611,884

Figures may not add to total due to rounding.

*Includes classes 15, 24, 26, 34 and 35.

TABLE 22
DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS IN YAVAPAI COUNTY FOR THE PERIOD BEGINNING JULY 1, 1988 AND ENDING JUNE 30, 1989

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS		NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
4.	Utilities	$98,475,107	1%	$984,751
5.	Communications	$17,235,228	1%	$172,352
9.	Publishing	$946,479	1%	$9,465
11.	Restaurants and Bars	$66,532,309	2%	$1,330,646
12.	Amusements	$2,923,455	2%	$58,469
13.	Rentals of Real Property	$24,597,366	2.666%	$631,526
14.	Rentals of Personal Property	$14,925,043	2%	$298,501
*	Contracting	$115,745,638	1%	$1,157,457
17.	Retail	$330,396,240	2%	$6,607,924
25.	Hotel/Motel	$14,184,950	2.75%	$367,276
	Other Taxable Activities	$167,610,801		$2,945,985
TOTAL		$853,572,616		$14,564,352

Figures may not add to total due to rounding.

*Includes 15, 24, 26, 34 and 35.

TABLE 23
DISTRIBUTION BASE PORTION OF SALES TAX COLLECTIONS IN YUMA COUNTY FOR THE PERIOD BEGINNING JULY 1, 1988 AND ENDING JUNE 30, 1989

	TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	DISTRIBUTION BASE RATE	SALES TAX COLLECTED (DISTRIBUTION BASE PORTION)
5.	Communications	$15,531,855	1%	$155,319
11.	Restaurants and Bars	$63,730,511	2%	$1,274,609
13.	Rentals of Real Property	$20,683,701	2.666%	$531,579
14.	Rentals of Personal Property	$17,996,920	2%	$359,938
*	Contracting	$82,242,074	1%	$822,423
17.	Retail	$437,650,157	2%	$8,752,998
25.	Hotel/Motel	$16,854,500	2.75%	$449,606
	Other Taxable Activities	$144,742,891		$1,111,297
TOTAL		$799,432,609		$13,457,769

Figures may not add to total due to rounding.

*Includes classes 15, 24, 26, 34 and 35.

TABLE 24
STATE SALES TAX DISTRIBUTION TO COUNTIES
1984-85 Through 1988-89

COUNTY	1984-85[1]	1985-86	1986-87	1987-88	1988-89
Apache	$2,077,604	$2,413,543	$2,855,747	$2,855,747	$2,855,747
Cochise	3,497,233	3,493,498	3,431,334	3,476,947	3,732,369
Coconino	5,127,191	5,471,965	5,610,720	5,837,146	6,540,600
Gila	2,188,305	2,324,779	2,136,012	2,333,551	2,717,820
Graham	768,085	720,315	687,487	707,622	766,463
Greenlee	1,121,539	1,040,083	1,026,409	1,455,429	1,938,831
La Paz	689,938	830,669	795,295	841,691	1,005,943
Maricopa	107,426,813	116,405,844	124,891,722	131,829,415	145,710,409
Mohave	3,817,772	3,980,503	4,164,980	4,281,442	4,911,808
Navajo	4,063,731	3,997,581	4,506,484	4,659,465	4,734,392
Pima	30,065,337	31,966,001	33,291,637	34,663,653	37,449,324
Pinal	4,113,823	4,292,030	4,412,252	4,928,417	5,884,454
Santa Cruz	1,146,961	1,158,205	1,180,945	1,252,506	1,522,728
Yavapai	4,162,873	4,710,438	4,751,896	5,223,667	5,786,096
Yuma	3,912,478	3,869,368	3,898,260	4,143,925	4,532,553
	$174,179,683	$186,674,822	$197,641,179	$208,490,623	$230,089,535

County distributions are based on relative assessed valuation and sales in the county
Figures may not add to totals due to rounding

1 Prior to FY 1985-86, counties were reimbursed for 100% of their loss from the removal of the tax on food through a special distribution. Beginning with FY 86-87, the percentage of tax distributed to the county was increased and the special distribution was repealed.

TABLE 25
STATE SALES TAX DISTRIBUTION TO MUNICIPALITIES
FOR FISCAL YEAR 1988-89

CITIES BY COUNTY	AMOUNT	COUNTY TOTAL
APACHE		
Eagar	$246,464	
Springerville	115,748	
St. Johns	207,471	$569,683
COCHISE		
Benson	261,864	
Bisbee	440,691	
Douglas	804,381	
Huachuca City	102,319	
Sierra Vista	1,773,358	
Tombstone	100,532	
Willcox	199,771	3,682,916
COCONINO		
Flagstaff	2,356,038	
Fredonia	64,065	
Page	398,494	
Williams	139,587	2,958,184
GILA		
Globe	424,182	
Hayden	74,229	
Miami	167,307	
Payson	431,389	
Winkleman	65,297	1,162,404
GRAHAM		
Pima	98,499	
Safford	431,820	
Thatcher	211,660	741,979
GREENLEE		
Clifton	261,495	
Duncan	37,145	298,640
LA PAZ		
Parker	156,589	156,589
MARICOPA		
Avondale	597,772	
Buckeye	232,789	
Carefree	93,510	
Cave Creek	141,743	
Chandler	3,931,165	
El Mirage	265,314	
Gila Bend	123,140	
Gilbert	745,490	
Glendale	7,539,420	
Goodyear	283,240	
Guadalupe	283,917	
Litchfield Park	228,415	
Mesa	14,758,702	
Paradise Valley	727,996	
Peoria	1,700,053	
Phoenix	55,035,551	
Scottsdale	6,680,400	
Surprise	247,634	
Tempe	$8,189,307	
Tolleson	273,383	
Wickenburg	241,782	
Youngtown	140,881	102,461,604
MOHAVE		
Bullhead City	1,052,816	
Colorado City	129,300	
Kingman	642,371	
Lake Havasu City	1,093,349	2,917,836
NAVAJO		
Holbrook	356,359	
Pinetop-Lakeside	147,164	
Show Low	309,666	
Snowflake	225,212	
Taylor	123,571	
Winslow	487,938	1,649,910
PIMA		
Marana	103,119	
Oro Valley	214,403	
South Tucson	403,730	
Tucson	22,597,066	23,318,318
PINAL		
Apache Junction	879,595	
Casa Grande	963,865	
Coolidge	422,026	
Eloy	384,388	
Florence	375,394	
Kearny	162,995	
Mammoth	117,411	
Superior	283,363	3,589,037
SANTA CRUZ		
Nogales	966,082	
Patagonia	60,369	1,026,451
YAVAPAI		
Camp Verde	360,363	
Chino Valley	235,129	
Clarkdale	104,475	
Cottonwood	308,557	
Jerome	28,952	
Prescott	1,314,249	
Prescott Valley	337,017	
Sedona	450,239	3,138,981
YUMA		
San Luis	173,036	
Somerton	269,872	
Wellton	57,905	
Yuma	2,883,339	3,384,152
TOTAL	$151,056,680	$151,056,680

City distributions are based on relative population.
Figures may not add to totals due to rounding.

TABLE 26
MUNICIPAL SALES TAX COLLECTION PROGRAM
COLLECTIONS BY CITY
FOR FISCAL YEAR 1988-89

CITY	RATE (PERCENT)	COLLECTIONS	CITY	RATE (PERCENT)	COLLECTIONS
Apache Junction	1,2,3	$3,038,955	Oro Valley	2	$1,073,725
Avondale	1	$1,071,395	Page	1,2,3	$979,949
Benson	2	$612,102	Paradise Valley	1,2	$2,278,731
Bisbee	2	$658,180	Parker	1,2,3	$675,887
Buckeye	1	$215,671	Payson	2	$1,712,249
Bullhead City	1	$1,682,675	Pima	1	$39,370
Camp Verde	1	$68,415	Pinetop-Lakeside	2,2.5	$1,258,876
Carefree	1	$331,086	Prescott Valley	2	$957,060
Casa Grande	1.5,2	$3,448,578	Safford	1	$750,708
Cave Creek	1,1.5,3	$253,691	San Luis	2	$620,488
Chino Valley	1,2	$472,375	Sedona	1,2,3	$2,450,844
Clarkdale	1	$51,944	Show Low	2	$1,772,094
Clifton	1	$80,833	Sierra Vista	1	$2,220,651
Colorado City	1,2	$27,036	Snowflake	2	$379,708
Coolidge	1.5,2	$964,962	Somerton	2	$183,326
Cottonwood	1,2	$2,171,129	South Tucson	2	$1,150,495
Douglas	2	$1,892,283	Springerville	2,3	$865,954
Duncan	2	$60,363	St. Johns	1,2	$230,041
Eagar	2	$291,180	Superior	1	$62,147
El Mirage	2	$347,676	Surprise	1,2	$579,823
Eloy	1.5	$554,080	Taylor	1	$81,192
Florence	2	$233,707	Thatcher	1	$359,495
Fredonia	2	$70,211	Tolleson	2	$682,441
Gila Bend	1,2	$265,643	Tombstone	2	$181,096
Gilbert	1	$2,815,033	Wellton	2	$184,176
Glendale	1	$7,600,582	Wickenburg	1	$621,563
Globe	1	$571,201	Willcox	1,2	$642,542
Goodyear	2	$1,559,291	Williams	2,3	$722,498
Guadalupe	2	$319,413	Winkleman	2	$48,173
Holbrook	2,1	$1,020,011	Winslow	1,2	$1,047,542
Huachuca City	1	$66,209	Youngtown	1	$164,639
Jerome	2,4	$92,063	Yuma	1	$5,500,471
Kearny	1	$97,871			
Kingman	1,2	$2,872,678			
Lake Havasu City	1	$2,306,231		TOTAL	$69,681,318
Litchfield Park	1,2	$696,570			
Marana	2	$259,257			
Miami	1	$62,784			

Figures may not add to total due to rounding.

TABLE 27
MUNICIPAL SALES TAX COLLECTION PROGRAM
1975-76 through 1988-89

FISCAL YEAR	TOTAL COLLECTIONS	NUMBER OF CITIES IN PROGRAM
1975-76	$10,679,373	37
1976-77	12,979,383	40
1977-78	16,107,372	43
1978-79	20,708,038	50
1979-80	24,024,045	52
1980-81	27,408,078	57
1981-82	31,132,392	59
1982-83	34,141,550	59
1983-84	39,237,842	60
1984-85	45,595,426	64
1985-86	51,527,477	64
1986-87	56,602,528	66
1987-88	63,372,873	69
1988-89	69,681,318	69

Income Tax

In the State of Arizona there are two categories of income tax: corporate, which is levied against entities doing business in Arizona, and individual, which is levied against those persons who earned income in Arizona. Employers are required to withhold a portion of employee wages for application toward their Arizona individual income tax liability. Arizona withholds wages at rates of 10 percent, 17 percent, 22 percent or 25 percent of federal withholding. 22 percent and 25 percent are optional while 17 percent is mandatory on wages of $15,000 or more, and 10 percent is required on wages less than $15,000. (Refer to Table 28)

Corporate Income Tax - Major Features

There are approximately 53,000 corporations filing in the State of Arizona with taxes of $257,153,000. Every corporation registered to conduct business in Arizona is required to file a corporate income tax return.

Corporations are required to make estimated tax payments every quarter during the tax year only if (1) their Arizona tax liability exceeds $1,000 and (2) if they are required to file federal estimated tax payments.

Corporate income taxes graduate from the lowest rate of 4 percent on income under $1,000 to 10.5 percent on income over $6,000. There is a minimum $50 liability imposed on all corporate returns. (Refer to Table 28)

Individual Income Tax - Major Features

There are approximately 1,455,000 individual filers reporting income totaling more than $32 billion. Individuals are not required to file estimated tax payments. However, any portion of an individual's income tax refund can be applied to the next year's income taxes as an estimated payment.

For the annual filing, individuals use federal adjusted gross income as a starting point to compute Arizona taxable income. Individuals are allowed to deduct Federal and Arizona income taxes paid. In 1989, rates graduate from 2 percent on individual income of $1,229 (or joint income of $2,458) to a maximum of 8 percent on individual income over $7,374 (or joint income over $14,748). Individual tax brackets, exemptions, deductions and credits to individual income tax are indexed annually for inflation. (Refer to Table 29)

The senior citizens property tax credit is a refundable income tax credit granted to persons over 65 with household incomes that do not exceed $3,751 (for persons living alone) or $5,501 (for persons living with a spouse or other person). The amount of property tax credit reduces as income increases from zero to the maximum limit. This credit cannot exceed the actual amount of property tax paid by the taxpayer. (Refer to Table 30)

The renter's tax credit is a refundable income tax credit granted to persons who pay rent for their principal home for at least six months of the calendar year. The maximum allowable renter's tax credit for a full-year renter in 1988 was 5 percent of the total rent paid, not to exceed $85. For tax year 1989 the credit cannot exceed $70.

For the 1988 tax year, individuals were allowed a special subtraction in computing Arizona adjusted gross income; either 63 percent of federal income tax liability (not to exceed $20,000) or $600, whichever was larger.

Distribution

State income tax collections are shared with Arizona municipalities in an Urban Revenue Sharing program. Each year, 15 percent of net collections from two years prior is distributed to cities and towns. This distribution is based on population and is given only to incorporated cities and towns. The remainder is deposited to the state general fund after amounts sufficient to pay refunds are set aside. (Refer to Tables 28, 31 and 32)

Contributions indicated by the taxpayer to Child Abuse Prevention, Wildlife programs and political parties are distributed to the appropriate agency/political party or organization.

TABLE 28
INCOME TAX COLLECTIONS

SOURCE	1984-85	1985-86	1986-87	1987-88	1988-89	% OF NET COLLECTIONS 1988-89
Withheld from Wages						
Gross Revenue	$520,151,450	$576,701,782	$599,660,202	$698,699,875[1]	$773,395,690	
Refunds and Charge-offs	146,748,025	148,652,578	171,542,248	2,247,014[1]	2,090,239	
NET	$373,403,425	$428,049,204	$428,117,954	$696,452,861	$771,305,451	69%
Individual & Fiduciaries						
Gross Revenue	254,354,660	275,161,560	333,498,960	345,881,711[1]	370,129,112	
Refunds and Charge-offs	1,513,779	-253,964	195,226	188,354,346[1]	229,270,341	
NET	$252,840,881	$274,907,596	$333,303,734	$157,527,365	$140,858,772	13%
Corporations						
Gross Revenue	215,436,786	213,236,463	249,213,473	229,759,928	257,153,477	
Refunds and Charge-offs	13,159,631	44,553,812	50,264,849	79,011,174	56,283,751	
NET	$202,277,155	$168,682,651	$198,948,624	$150,748,754	$200,869,726	18%
Net Collections	$828,521,461	$871,639,451	$960,370,312	$1,004,728,980	$1,113,033,948	100%
Less distributions for:						
Urban Revenue Sharing[3]	97,206,149	99,574,591	124,212,169	130,653,468	143,956,984	
Contracted Collection Agency	58,257	127,478	133,834	82,254	47,571	
Wildlife Contributions	231,923	228,176	244,496	232,818	259,620	
Child Abuse Prevention	150,154[2]	260,616	278,754	263,369	281,996	
Democratic Party					10,342	
Republican Party					10,583	
Libertarian Party					1,342	
New Alliance					733	
Sub-Total Distributions	$97,646,483	$100,190,861	$124,869,253	$131,231,909	$144,569,170	
NET REVENUE TO STATE GENERAL FUND	$730,874,978	$771,448,590	$835,501,059	$873,497,071	$968,370,959	

1 The method of accounting for refunds and charge-offs changes in this fiscal year.
2 Effective for tax years beginning from and after December 31, 1984.
3 Prior to FY 1985-1986, portions of collections may have been distributed in a later fiscal year.

TABLE 29
EXEMPTIONS, DEDUCTIONS & CREDITS INDEXED TO INFLATION

TAX YEAR	PERSONAL EXEMPTION	BLIND EXEMPTION	AGE 65 AND OVER EXEMPTION	DEPENDENT EXEMPTION	STANDARD DEDUCTION 1%	STANDARD DEDUCTION LIMIT[1]	MAXIMUM RENTER'S CREDIT	MAXIMUM PROPERTY TAX CREDIT
1977 (base year)	$ 1,000	$500	$ 1,000	$600	10.00%	500/$1,000	$50	225
1978	1,101	551	1,101	661	11.00	551/1,101	83[2]	248
1979	1,226	613	1,226	736	12.00	613/1,226	92	276
1980	1,422	711	1,422	854	14.00	711/1,422	107	320
1981	1,589	795	1,589	954	16.00	795/1,589	120	358
1982	1,729	865	1,729	1,038	17.00	865/1,729	130	389
1983	1,759	880	1,759	1,056	18.00	880/1,759	132	396
1984	1,834	917	1,834	1,100	18.00	917/1,834	100	413[3]
1985	1,941	971	1,941	1,165	19.40	971/1,941	100	437
1986	1,996	998	1,996	1,198	19.96	998/1,996	100	449
1987	2,045	1,023	2,045	1,227	20.45	1,023/2,045	100	460
1988	2,125	1,062	2,125	1,275	21.25	1,063/2,125	85	478

1 Amounts shown are for individual and married-filing-jointly returns.
2 Base for renter's credit changed to $75 in 1978.
3 As of the 1984 tax year the property tax credit is capped based on the actual property tax paid.

TABLE 30
SELECTED INDIVIDUAL INCOME TAX CREDITS

CREDIT	1985-1986 CLAIMANTS	1985-1986 CREDITS	1986-1987 CLAIMANTS	1986-1987 CREDITS
Miscellaneous Credits[1]	34,441	$22,156,078[2]	26,566	$17,123,718
Property Tax	28,018	5,690,454	8,682	6,012,423
Renter's	242,678	22,134,552	243,917	22,300,377
TOTAL CREDITS		$49,981,084		$45,436,518

	1987-1988 CLAIMANTS	1987-1988 CREDITS	1988-1989 CLAIMANTS	1988-1989 CREDITS
Miscellaneous Credits[1]	18,483	$11,611,606	16,909	$15,907,843
Property Tax	26,642	6,089,507	26,467	6,310,637
Renter's	240,812	22,284,559	249,307	20,021,668
TOTAL CREDITS		$39,985,672		$42,240,148

1 Includes solar development credit, comercial solar credit, foreign tax credit and groundwater measuring device credit.

2 Includes income tax credit for installation of residential insulation and devices. This credit was repealed for taxes after December 31, 1984.

Table 31
URBAN REVENUE SHARING

FISCAL YEAR	AMOUNT DISTRIBUTED
1975-76	$26,558,140
1976-77	30,313,600
1977-78	31,405,355
1978-79	36,356,905
1979-80	42,997,581
1980-81	53,942,465
1981-82	65,083,596
1982-83	73,596,099
1983-84	83,061,596
1984-85	96,166,908
1985-86	108,637,795[1]
1986-87	124,212,169
1987-88	130,653,477
1988-89	143,956,984

1 Distribution in FY 85-86, $99,574,591 came from FY 85-86 receipts. The remaining $9,063,204 was set aside from FY 84-85 receipts.

TABLE 32
DISTRIBUTION OF INCOME TAX AS URBAN REVENUE SHARING TO MUNICIPALITIES IN 1988-89

CITIES BY COUNTY	AMOUNT	% OF TOTAL
APACHE		
Eagar	$235,201.83	0.1634 %
Springerville	110,458.46	0.0767
St. Johns	197,990.43	0.1375
COCHISE		
Benson	249,898.28	0.1736
Bisbee	420,553.31	0.2921
Douglas	767,624.46	0.5332
Huachuca City	97,643.15	0.0678
Sierra Vista	1,692,324.51	1.1756
Tombstone	95,938.34	0.0666
Willcox	190,642.23	0.1324
COCONINO		
Flagstaff	2,248,379.07	1.5618
Fredonia	61,137.16	0.0425
Page	380,285.08	0.2642
Williams	133,208.54	0.0925
GILA		
Globe	404,798.75	0.2812
Hayden	70,836.86	0.0492
Miami	159,662.12	0.1109
Payson	411,676.69	0.2860
Winkleman	62,312.89	0.0433
GRAHAM		
Pima	93,998.41	0.0653
Safford	412,088.20	0.2863
Thatcher	201,987.88	0.1403
GREENLEE		
Clifton	249,545.58	0.1733
Duncan	35,447.82	0.0246
LA PAZ		
Parker	149,433.41	0.1038
MARICOPA		
Avondale	570,457.05	0.3963
Buckeye	222,151.39	0.1543
Carefree	89,236.80	0.0620
Cave Creek	135,266.05	0.0940
Chandler	3,751,531.00	2.6060
El Mirage	253,190.28	0.1759
Gila Bend	117,512.74	0.0816
Gilbert	711,425.28	0.4942
Glendale	7,194,907.04	4.9980
Goodyear	270,296.94	0.1878
Guadalupe	270,943.58	0.1882
Litchfield Park	217,726.77	0.1512
Mesa	14,084,304.46	9.7837
Paradise Valley	694,730.14	0.4826
Peoria	1,622,369.48	1.1270
Phoenix	52,328,840.95	36.3503
Scottsdale	6,375,139.58	4.4285
Surprise	236,318.77	0.1642
Tempe	$7,815,096.84	5.4288%
Tolleson	260,891.21	0.1812
Wickenburg	230,734.15	0.1603
Youngtown	134,443.06	0.0934
MOHAVE		
Bullhead City	1,004,707.45	0.6979
Colorado City	123,391.32	0.0857
Kingman	613,017.94	0.4258
Lake Havasu City	1,043,388.47	0.7248
NAVAJO		
Holbrook	340,075.66	0.2362
Pinetop-Lakeside	140,439.17	0.0976
Show Low	295,516.01	0.2053
Snowflake	214,920.73	0.1493
Taylor	117,924.24	0.0819
Winslow	465,642.03	0.3235
PIMA		
Marana	98,407.36	0.0684
Oro Valley	193,094.72	0.1341
South Tucson	385,281.92	0.2676
Tucson	21,570,948.57	14.9843
PINAL		
Apache Junction	839,401.92	0.5831
Casa Grande	919,820.82	0.6390
Coolidge	402,741.27	0.2798
Eloy	366,823.17	0.2548
Florence	358,240.44	0.2489
Kearny	155,547.16	0.1081
Mammoth	112,045.65	0.0778
Superior	270,414.52	0.1878
SANTA CRUZ		
Nogales	921,937.13	0.6404
Patagonia	57,610.05	0.0400
YAVAPAI		
Camp Verde	343,896.74	0.2389
Chino Valley	224,385.27	0.1559
Clarkdale	99,700.67	0.0693
Cottonwood	294,457.89	0.2045
Jerome	27,629.30	0.0192
Prescott	1,254,194.22	0.8712
Prescott Valley	321,616.94	0.2234
Sedona	429,665.13	0.2985
YUMA		
San Luis	165,129.22	0.1147
Somerton	257,540.42	0.1789
Wellton	55,258.63	0.0384
Yuma	2,751,585.18	1.9114
TOTAL	$143,956,984.35	100.0000%

Figures may not add to total due to rounding.

Property Tax

Tax Base

In Arizona, the property tax is an ad valorem tax, a tax on the value of property. For tax purposes, all properties in Arizona carry two values: Limited property value and full cash value. Taxes based on the limited property value, called primary property taxes, are used to pay for the basic maintenance and operations of a jurisdiction. (Refer to Table 33) For properties that have not been physically changed since the prior year (i.e., been remodelled or had additions constructed), the yearly growth in value is limited to the larger of 10 percent or 25 percent of the difference between the prior year's limited property value and the new full cash value. The full cash value is unlimited and is based on the real estate market. Taxes based on this value are referred to as secondary property taxes and are used to pay for bonded indebtedness, voter-approved overrides and special district levies. (Refer to Table 34) Over 60 percent of the total primary tax levy was levied directly for educational purposes. In addition, as indicated by Table 34, approximately 50 percent of secondary tax was also levied for education.

All taxable property in Arizona is classified according to its current use. Each class has an assessment ratio which is the percentage of the assessed value used as a tax base. The assessment ratios are prescribed by law and those in effect in 1989 are shown below.

Classification	Ratio
1. Producing mines, standing timber	30%
2. Telecommunication property, gas, electric and water utilities, pipelines	30%
3. Commercial and industrial property	25%
4. Agricultural and vacant land	16%
5. Owner-occupied residential property	10%
6. Rental residential property	15%
7. Railroad and private rail car property, airline flight property	26%
8. Historic property	5%
Also: Producing oil and gas interests	100%

Class 1, 2, and 6 assessment ratios were frozen by recent legislation at 1987 levels for the 1988 and 1989 tax years. For tax year 1990 and thereafter ratios for Class 1 and Class 2 will be reduced to and remain at 25 percent of full cash value. The class 6 assessment ratio will be reduced to 12 percent in 1990, with additional reductions of 1 percentage point per year thereafter until 1992 when the Class 6 ratio will remain at 10 percent.

General Property Tax Administration

Duties of property assessment are divided between the department and the fifteen counties. The department assesses utilities, airlines, railroads, mines and other geographically-dispersed properties. (Refer to Graph 35 and Table 36) Values determined by the department for those properties are transmitted to the County Boards of Supervisors for entry upon the county tax rolls for levy and collection of property taxes.

County Assessors, utilizing standards and manuals established by the department, are responsible for assessment of other classes of property, including residential, commercial, industrial and agricultural properties. (Refer to Tables 37, 37A and Graph 38)

Appeals of valuation or classification for locally assessed properties originate with the property owner's petition for review filed with the County Assessor. Such appeals may be continued to the County Board of Equalization

and the State Board of Tax Appeals. Appeals may be carried on to the Superior Court or filed directly with that court if the prior steps are omitted.

For properties valued by the department, valuation or classification appeals may be filed with the department, the State Board of Tax Appeals and in Superior Court.

Tax Collection And Distribution

Other than the two exceptions noted below, County Treasurers collect all property taxes and distribute receipts to all taxing entities. The state property tax collected by the counties is deposited in the state general fund.

Taxes levied on airline flight properties and private rail car properties are collected by the department and deposited with the State Treasurer. Taxes on airline flight properties and private car companies are levied at the average state tax rate. (See Tables 36 and 39) This rate is derived by dividing the total of all of the levies in the state by the total net assessed value in the state. This calculation produces the weighted average of all of the levies in the state and is applied to airline flight properties and private rail cars.

Equalization

In 1987 the Legislature gave the department the authority to issue biennial equalization orders to ensure that all property in the state is valued (assessed) for tax purposes at its full cash value. This equalization process took effect with the 1988 tax year.

The department's primary tool in evaluating assessment performance is its sales ratio study, which compares assessed values with sales prices of recently sold properties. These studies are performed several times each year by county, type of property and area. Table 40 and Graph 41 show statewide median sales ratios and coefficients of dispersion for the tax years 1980 through 1989. Sales ratios are derived by dividing assessed values by sales prices of recently sold properties. The median sales ratio is the middle sales ratio when the ratios are arrayed in order of magnitude; hence, there are an equal number of properties above and below the median. Median ratios near 100 percent indicate that the property is assessed at close to market value.

Coefficients of dispersion are measures of the uniformity or consistency of sales ratios, and are a measure of how equally all taxpayers are treated. General coefficient of dispersion targets are currently 25 percent for vacant land and commercial properties, and 15 percent for residential properties. Lower coefficients of dispersion indicate greater equity in property assessments.

Centrally Valued Properties

The Centrally Valued Properties Unit of the Property Valuation Section, Division of Property Valuation and Equalization is responsible for the annual valuation of eleven industries for ad valorem property tax purposes. (See chart following.)

Generally, these are large, complex properties which are often located in more than one county and/or in more than one state. Values are determined for the entire system and then apportioned to Arizona and to the individual taxing jurisdictions. They are referred to as "centrally valued" because they are valued (assessed) by the Department rather than by the fifteen County Assessors who are responsible for all residential, commercial, and vacant land. The value of centrally-valued properties accounts for over one-fifth of all the assessed value of property in Arizona. (See Tables 37, 37A and Graph 38)

Except for private rail cars, the values are established for these industries by the first Monday in June each year. Private rail car values are established by October 15th each year. Any taxpayer dissatisfied with the value determined by the department may appeal to the Board of Tax Appeals, Division One. The Board of Tax Appeals conducts hearings with centrally valued taxpayers during July and must render its final decision by July 25th.

The number of centrally valued properties included in each of the industries assessed by the department is as follows:

Industry	Number of Properties			
	1986	1987	1988	1989
Railroads	7	8	6	6
Telecommunications	24	22	21	21
Gas Transmission (Pipelines)	9	9	9	9
Electric & Gas Utilities	27	25	25	23
Electric Cooperatives	12	12	12	12
Municipal Utility (Salt River Project)	1	1	1	1
Water Utilities	375	378	400	432
Airlines (Aircraft)	29	32	35	35
Private Rail Cars	267	270	275	275
Mines (Producing)	53	46	39	51
Mines (Non-Producing)	8	11	9	9
Producing Oil & Gas Interests	5	4	3	4
Total:	817	818	835	878

TABLE 33
STATE OF ARIZONA
1989 PRIMARY TAX LEVIES

TAX AUTHORITY	NET ASSESSED VALUATION	STATE	COUNTY	CITIES AND TOWNS	COMMUNITY COLLEGES	SCHOOLS	ALL OTHER	TOTAL	PRIMARY RATE
APACHE	$403,231,436	$1,895,188	$2,629,875	$0	$0	$9,105,618	$0	$13,630,681	$3.38
COCHISE	358,023,219	1,682,709	11,960,481	1,020,985	5,447,373	14,259,475	0	$34,371,023	9.60
COCONINO	558,042,389	2,622,799	5,181,424	1,569,860	0	22,457,751	0	$31,831,834	5.70
GILA	208,371,787	979,347	9,036,740	871,249	0	10,380,894	0	$21,268,230	10.21
GRAHAM	59,633,055	280,275	1,609,615	108,191	896,166	2,151,586	0	$5,045,833	8.46
GREENLEE	104,549,405	491,382	755,892	5,492	0	3,391,572	0	$4,644,338	4.44
LA PAZ	96,795,380	454,938	2,686,944	0	1,508,460	3,436,733	0	$8,087,075	8.35
MARICOPA	13,686,040,350	64,324,390	197,430,202	52,005,504	94,016,141	22,457,751	0	$1,005,450,172	7.35
MOHAVE	479,477,564	2,253,545	11,230,803	1,409,140	4,183,567	22,225,720	0	$41,302,775	8.61
NAVAJO	512,618,923	2,915,500	4,450,067	184,042	4,023,320	16,278,866	0	$27,851,795	5.43
PIMA	2,984,081,952	14,025,000	125,533,410	4,523,286	23,850,000	146,329,001	0	$314,260,697	10.53
PINAL	535,674,489	2,517,670	27,233,201	1,128,497	8,376,342	26,735,985	0	$65,991,695	12.32
SANTA CRUZ	112,219,869	527,433	3,948,792	0	0	5,274,746	0	$9,750,971	8.69
YAVAPAI	544,677,554	2,559,985	14,582,653	825,028	8,206,472	25,415,894	0	$51,590,032	9.47
YUMA	357,626,901	1,680,846	8,851,080	2,796,987	5,571,855	17,919,912	0	$36,820,680	10.30
TOTAL	$21,001,064,273	$99,211,007	$427,121,179	$66,448,261	$156,079,696	$923,037,688	$0	$1,671,897,831	$7.96

AVERAGE STATE PRIMARY TAX RATE PER $100 OF ASSESSED VALUATION - $7.96

TAX AUTHORITY	NET ASSESSED VALUATION	STATE	COUNTY	CITIES AND TOWNS	COMMUNITY COLLEGES	SCHOOLS	ALL OTHER	TOTAL	PRIMARY RATE
APACHE	$385,457,457	$1,811,650	$2,657,343	0	$0	$8,773,973	$0	$13,242,966	$3.44
COCHISE	336,544,042	1,581,757	11,014,858	885,903	5,121,675	13,090,901	0	$31,695,094	9.42
COCONINO	519,923,595	2,443,641	4,917,957	1,437,222	0	21,122,933	0	$29,921,753	5.76
GILA	188,464,616	885,783	8,574,649	872,250	0	9,037,534	0	$19,370,216	10.28
GRAHAM	58,149,305	273,302	1,424,135	108,110	844,968	1,555,009	0	$4,205,524	7.23
GREENLEE	84,050,505	395,037	630,329	4,980	0	3,483,804	0	$4,514,150	5.37
LA PAZ	95,403,303	448,396	2,483,253	0	1,371,231	3,109,990	0	$7,412,870	7.77
MARICOPA	12,373,679,004	58,121,461	177,809,767	47,607,090	80,098,810	523,634,741	0	$887,271,869	7.17
MOHAVE	433,661,202	2,038,208	10,434,612	1,309,010	3,873,462	19,289,980	0	$36,945,272	8.52
NAVAJO	501,183,065	2,355,560	4,376,565	188,801	3,523,320	15,712,910	0	$26,157,156	5.22
PIMA	2,895,086,221	13,606,905	118,634,650	4,335,418	21,450,000	145,314,937	0	$303,341,910	10.48
PINAL	476,254,730	2,238,397	23,763,205	1,043,888	7,447,075	22,968,329	0	$57,460,894	12.07
SANTA CRUZ	104,400,524	490,682	3,509,320	0	0	4,532,143	0	$8,532,145	8.17
YAVAPAI	496,843,262	2,335,163	13,557,361	743,641	7,113,799	23,988,870	0	$47,738,834	9.61
YUMA	336,765,582	1,582,798	8,304,640	2,597,133	4,840,178	16,649,855	0	$33,974,604	10.09
TOTAL	$19,285,866,413	$90,608,740	$392,092,644	$61,133,446	$135,684,518	$832,265,909	$0	$1,511,785,257	$7.84

AVERAGE STATE PRIMARY TAX RATE PER $100 OF ASSESSED VALUATION - $7.84

TABLE 34
1989 SECONDARY TAX LEVIES

TAX AUTHORITY	NET ASSESSED VALUATION	STATE	COUNTY	CITIES AND TOWNS	COMMUNITY COLLEGES	SCHOOLS	ALL OTHER	TOTAL	SECONDARY RATE
APACHE	$407,995,358	$0	$1,054,260	$0	$0	$5,187,402	$1,134,726	$7,376,388	$1.81
COCHISE	369,483,702	0	2,216,199	6,000	0	4,337,626	3,448,716	10,008,541	2.71
COCONIND	586,962,449	0	1,144,064	2,636,549	0	10,705,917	3,108,498	17,595,028	3.00
GILA	213,233,634	0	919,409	5,308	0	2,442,420	826,670	4,193,807	1.97
GRAHAM	60,021,320	0	16,806	0	86,191	1,268,736	571,210	1,942,943	3.24
GREENLEE	104,672,937	0	8,489	0	0	1,260,648	33,958	1,303,095	1.24
LAPAZ	98,560,789	0	67,397	0	194,953	504,000	950,169	1,716,519	1.74
MARICOPA	14,687,784,809	0	31,642,807	93,904,172	9,382,900	204,116,471	72,724,082	411,770,432	2.80
MOHAVE	552,352,354	0	2,337,295	507,400	0	4,687,613	7,221,153	14,753,461	2.67
NAVAJO	528,016,349	0	400,500	52,100	0	10,061,683	2,375,514	12,889,797	2.44
PIMA	3,105,394,430	0	39,802,716	13,991,050	0	47,602,229	24,024,413	125,420,408	4.04
PINAL	565,718,947	0	686,503	353,317	367,717	7,921,832	3,786,280	13,115,649	2.32
SANTA CRUZ	116,302,901	0	704,563	0	0	2,293,835	1,097,878	4,096,276	3.52
YAVAPAI	574,226,005	0	1,153,354	862,550	439,855	8,052,207	5,355,941	15,863,907	2.76
YUMA	363,135,378	0	2,348,864	350,238	718,282	5,421,311	2,186,654	11,025,349	3.04
TOTAL	$22,333,861,362	$0	$84,503,226	$112,668,684	$11,189,898	$315,863,930	$128,845,862	$653,071,600	$2.92

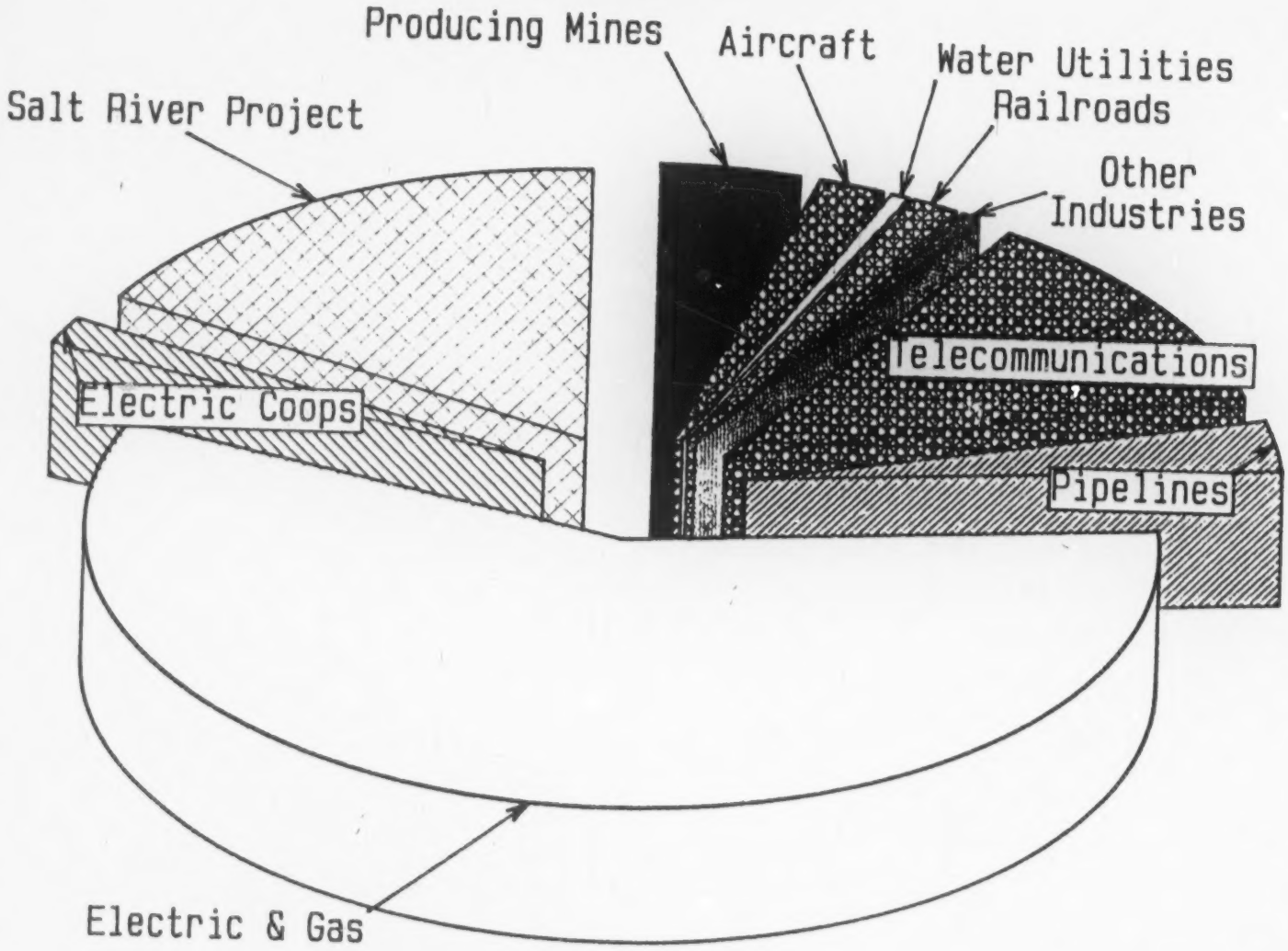
1988 SECONDARY TAX LEVIES

AVERAGE STATE SECONDARY TAX RATE PER $100 OF ASSESSED VALUATION - $2.92

TAX AUTHORITY	NET ASSESSED VALUATION	STATE	COUNTY	CITIES AND TOWNS	COMMUNITY COLLEGES	SCHOOLS	ALL OTHER	TOTAL	SECONDARY RATE
APACHE	$392,512,758	$0	$843,902	$0	$0	$6,031,377	$553,934	$7,429,213	$1.89
COCHISE	352,328,831	0	2,189,363	6,000	0	3,485,073	2,696,761	8,377,197	2.38
COCONINO	555,385,017	0	955,063	2,041,633	0	12,651,047	2,785,115	18,432,858	3.32
GILA	193,929,921	0	854,059	8,673	0	2,281,696	743,492	3,887,920	2.00
GRAHAM	58,840,142	0	17,318	0	89,437	1,576,838	144,292	1,827,885	3.11
GREENLEE	84,180,877	0	518,537	0	0	1,307,892	27,463	1,853,892	2.20
LAPAZ	98,514,710	0	77,551	0	0	458,500	878,627	1,414,678	1.44
MARICOPA	13,480,787,074	0	29,503,310	85,226,619	9,218,850	187,803,034	73,759,378	385,511,191	2.86
MOHAVE	465,324,499	0	2,177,172	509,840	0	4,174,671	5,699,368	12,561,051	2.70
NAVAJO	525,986,579	0	402,160	48,100	0	9,663,751	2,277,217	12,391,228	2.36
PIMA	3,110,816,678	0	35,523,428	12,591,330	0	45,239,491	23,013,201	116,367,450	3.74
PINAL	503,669,984	0	702,637	362,536	327,144	7,597,939	3,870,820	12,861,076	2.55
SANTA CRUZ	110,318,878	0	356,110	0	0	1,978,681	846,887	3,181,678	2.88
YAVAPAI	539,024,436	0	1,088,324	820,418	0	5,593,452	4,954,088	12,456,282	2.31
YUMA	345,675,406	0	2,520,000	364,746	0	4,494,235	1,761,216	9,140,197	2.64
TOTAL	$20,817,296,790	$0	$77,728,934	$101,979,895	$9,635,431	$294,337,677	$124,011,859	$607,693,796	$2.92

AVERAGE STATE SECONDARY TAX RATE PER $100 OF ASSESSED VALUATION - $2.92

GRAPH 35



Industries subject to valuation by the Department and their respective portions of the total 1989 full cash value of $19,830,154,200.

TABLE 36
PROPERTY VALUES

The total full cash value of the properties included in each of the industries valued by the department for 1987, 1988, and 1989 is as follows:

INDUSTRY	FULL CASH VALUE 1987	1988	1989
Railroads	$223,790,000	$222,395,000	$357,043,000
Telecommunications	2,112,416,000	2,145,349,000	2,370,766,000
Pipelines	500,991,000	537,896,000	560,017,000
Electric & Gas	10,335,895,000	10,405,009,000	11,414,869,000
Electric Cooperatives	265,522,000	272,418,000	285,750,000
Salt River Project	2,939,316,000	3,072,009,000	3,258,838,000
Water Utilities	134,816,000	135,555,000	147,849,000
Airlines (Aircraft)	279,235,000	346,326,000	369,656,000
Private Rail Cars	23,820,000	26,204,000	27,514,000*
Mines (Producing)	616,280,000	770,838,000	1,031,988,000
Mines (Non-Producing)	8,992,000	6,157,000	4,463,000
Producing Oil & Gas	1,897,000	1,959,000	1,401,000
TOTAL	$17,442,970,000	$17,942,115,000	$19,830,154,000
PERCENT CHANGE		+2.8%	+10.5%

*Private Rail Cars are not valued until October of each year. Value listed for 1989 is estimated.

TABLE 37
1989 SOURCE OF PRIMARY TAX BASE

COUNTY	NET ASSESSED LIMITED VALUATION*	VALUED BY STATE		VALUED BY COUNTY	
		AMOUNT*	PERCENT	AMOUNT*	PERCENT
APACHE	$403,231,436	$337,232,477	83.63%	$65,998,959	16.37%
COCHISE	358,023,219	113,014,593	31.57	245,008,626	68.43
COCONINO	558,042,389	192,311,800	34.46	365,730,589	65.54
GILA	208,371,787	66,392,733	31.86	141,979,054	68.14
GRAHAM	59,633,055	7,728,614	12.96	51,904,441	87.04
GREENLEE	104,549,405	89,606,678	85.71	14,942,727	14.29
LA PAZ	96,795,380	45,926,842	47.45	50,868,538	52.55
MARICOPA	13,686,040,350	2,734,632,856	19.98	10,951,407,494	80.02
MOHAVE	479,477,564	76,848,500	16.03	402,629,064	83.97
NAVAJO	512,618,923	291,037,194	56.77	221,581,729	43.23
PIMA	2,984,081,952	390,191,512	13.08	2,593,890,440	86.92
PINAL	535,674,489	190,588,136	35.58	345,086,353	64.42
SANTA CRUZ	112,219,869	14,829,786	13.21	97,390,083	86.79
YAVAPAI	544,677,554	95,593,061	17.55	449,084,493	82.45
YUMA	357,626,901	70,564,031	19.73	287,062,870	80.27
TOTAL	$21,001,064,273	$4,716,498,813	22.46%	$16,284,565,460	77.54%

1988 SOURCE OF PRIMARY TAX BASE

COUNTY	NET ASSESSED LIMITED VALUATION*	VALUED BY STATE		VALUED BY COUNTY	
		AMOUNT*	PERCENT	AMOUNT*	PERCENT
APACHE	$385,457,457	$321,327,467	83.36%	$64,129,990	16.64%
COCHISE	336,544,042	107,058,180	31.81	229,485,862	68.19
COCONINO	519,923,595	184,927,713	35.57	334,995,882	64.43
GILA	188,464,616	51,370,431	27.26	137,094,185	72.74
GRAHAM	58,149,305	7,469,763	12.85	50,679,542	87.15
GREENLEE	84,050,505	69,323,238	82.48	14,727,267	17.52
LA PAZ	95,403,303	45,748,547	47.95	49,654,756	52.05
MARICOPA	12,373,679,004	2,476,971,727	20.02	9,896,707,277	79.98
MOHAVE	433,661,202	71,384,628	16.46	362,276,574	83.54
NAVAJO	501,183,065	289,578,923	57.78	211,604,142	42.22
PIMA	2,895,086,221	346,112,436	11.96	2,548,973,785	88.04
PINAL	476,254,730	162,131,705	34.04	314,123,025	65.96
SANTA CRUZ	104,400,524	13,086,665	12.54	91,313,859	87.46
YAVAPAI	496,843,262	82,100,497	16.52	414,742,765	83.48
YUMA	336,765,582	63,614,999	18.89	273,150,583	81.11
TOTAL	$19,285,866,413	$4,292,206,919	22.26%	$14,993,659,494	77.74%

*DOES NOT INCLUDE SALT RIVER PROJECT

TABLE 37A
1989 SOURCE OF SECONDARY TAX BASE

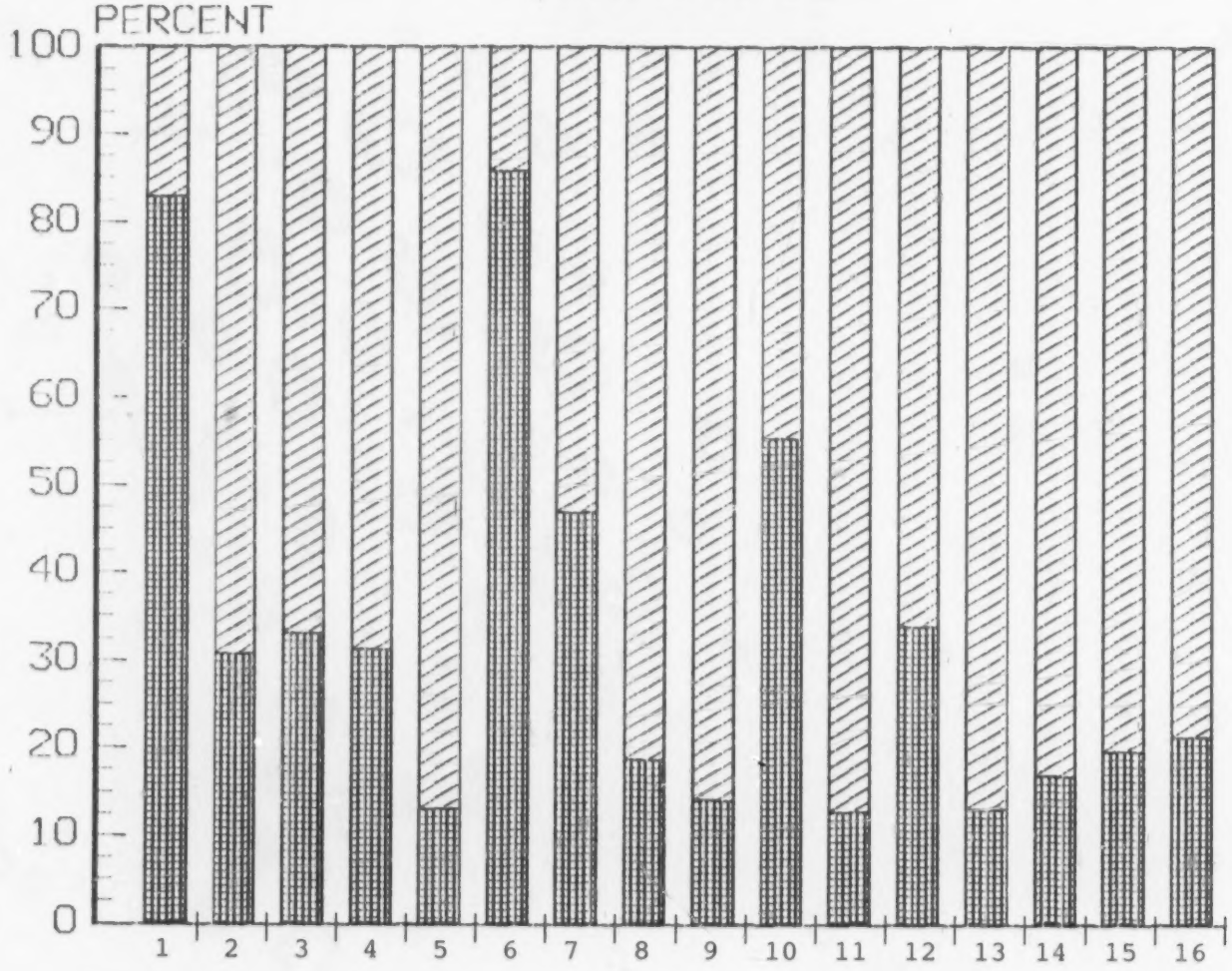
COUNTY	NET ASSESSED LIMITED VALUATION*	VALUED BY STATE		VALUED BY COUNTY	
		AMOUNT*	PERCENT	AMOUNT*	PERCENT
APACHE	$407,995,358	$337,405,234	82.70%	$70,590,124	17.30%
COCHISE	369,483,702	113,310,260	30.67	256,173,442	69.33
COCONINO	586,962,449	192,849,251	32.86	394,113,198	67.14
GILA	213,233,634	66,428,039	31.15	146,805,595	68.85
GRAHAM	60,021,320	7,760,426	12.93	52,260,894	87.07
GREENLEE	104,672,937	89,662,719	85.66	15,010,218	14.34
LAPAZ	98,560,789	46,049,366	46.72	52,511,423	53.28
MARICOPA	14,687,784,809	2,737,634,850	18.64	11,950,149,959	81.36
MOHAVE	552,352,354	77,261,822	13.99	475,090,532	86.01
NAVAJO	528,016,349	291,533,314	55.21	236,483,035	44.79
PIMA	3,105,394,430	392,043,636	12.62	2,713,350,794	87.38
PINAL	565,718,947	190,958,313	33.75	374,760,634	66.25
SANTA CRUZ	116,302,901	15,071,584	12.96	101,231,317	87.04
YAVAPAI	574,226,005	96,014,740	16.72	478,211,265	83.28
YUMA	363,135,378	70,837,739	19.51	292,297,639	80.49
TOTAL	$22,333,861,362	$4,724,821,293	21.16%	$17,609,040,069	78.84%

1988 SOURCE OF SECONDARY TAX BASE

COUNTY	NET ASSESSED LIMITED VALUATION*	VALUED BY STATE		VALUED BY COUNTY	
		AMOUNT*	PERCENT	AMOUNT*	PERCENT
APACHE	$392,512,758	$321,539,865	81.92%	$70,972,893	18.08%
COCHISE	352,328,831	107,371,254	30.47	244,957,577	69.53
COCONINO	555,385,017	185,630,069	33.42	369,754,948	66.58
GILA	193,929,921	51,487,631	26.55	142,442,290	73.45
GRAHAM	58,840,142	7,601,373	12.92	51,238,769	87.08
GREENLEE	84,180,877	69,368,679	82.40	14,812,198	17.60
LAPAZ	98,514,710	45,889,239	46.58	52,625,471	53.42
MARICOPA	13,480,787,074	2,482,143,669	18.41	10,998,643,405	81.59
MOHAVE	465,324,499	71,884,421	15.45	393,440,078	84.55
NAVAJO	525,986,579	290,144,903	55.16	235,841,676	44.84
PIMA	3,110,816,678	349,695,765	11.24	2,761,120,913	88.76
PINAL	503,669,984	162,577,690	32.28	341,092,294	67.72
SANTA CRUZ	110,318,878	13,463,798	12.20	96,855,080	87.80
YAVAPAI	539,024,436	82,654,986	15.33	456,369,450	84.67
YUMA	345,676,406	63,935,120	18.50	281,741,286	81.50
TOTAL	$20,817,296,790	$4,305,388,462	20.68%	$16,511,908,328	79.32%

*DOES NOT INCLUDE SALT RIVER PROJECT

GRAPH 38



COUNTY CODES

1. Apache
2. Cochise
3. Coconino
4. Gila
5. Graham
6. Greenlee
7. La Paz
8. Maricopa
9. Mohave
10. Navajo
11. Pima
12. Pinal
13. Santa Cruz
14. Yavapai
15. Yuma
16. Statewide

Subject to valuation by the County Assessor

Subject to valuation by the Department

TABLE 39
AVERAGE PROPERTY TAX RATES
PER $100 OF ASSESSED VALUATION

	1986		1987	
	PRIMARY	SECONDARY	PRIMARY	SECONDARY
SCHOOL DISTRICTS	$3.98	$1.28	$4.29	$1.36
COUNTIES	2.03	.35	2.02	.38
STATE	.38	---	.38	---
CITIES	.31	.41	.31	.40
COMMUNITY COLLEGES	.69	.05	.67	.05
SPECIAL DISTRICTS	---	.57	---	.62
TOTAL	$7.39	$2.66	$7.67	$2.81

	1988		1989	
	PRIMARY	SECONDARY	PRIMARY	SECONDARY
SCHOOL DISTRICTS	$4.32	$1.41	$4.40	$1.41
COUNTIES	2.03	.37	2.03	.38
STATE	.47	---	.47	---
CITIES	.32	.49	.32	.50
COMMUNITY COLLEGES	.70	.05	.74	.05
SPECIAL DISTRICTS	---	.60	---	.58
TOTAL	$7.84	$2.92	$7.96	$2.92

SCHOOL DISTRICT RATE INCLUDES UNORGANIZED SCHOOL DISTRICTS.

TABLE 40
STATEWIDE
SALES RATIO SUMMARY

PART A: MEDIAN SALES RATIO

	VACANT LAND	RESIDENTIAL	COMMERCIAL	TOTAL NON-AGRICULTURAL PROPERTY
1980	0.449	0.616	0.573	0.585
1981	0.433	0.717	0.520	0.670
1982	0.453	0.675	0.489	0.642
1983	0.788	0.728	0.555	0.700
1984	0.656	0.730	0.594	0.725
1985	0.690	0.745	0.678	0.738
1986	0.737	0.812	0.728	0.800
1987	0.696	0.795	0.653	0.788
1988	0.736	0.807	0.695	0.798
1989	0.747	0.828	0.718	0.816

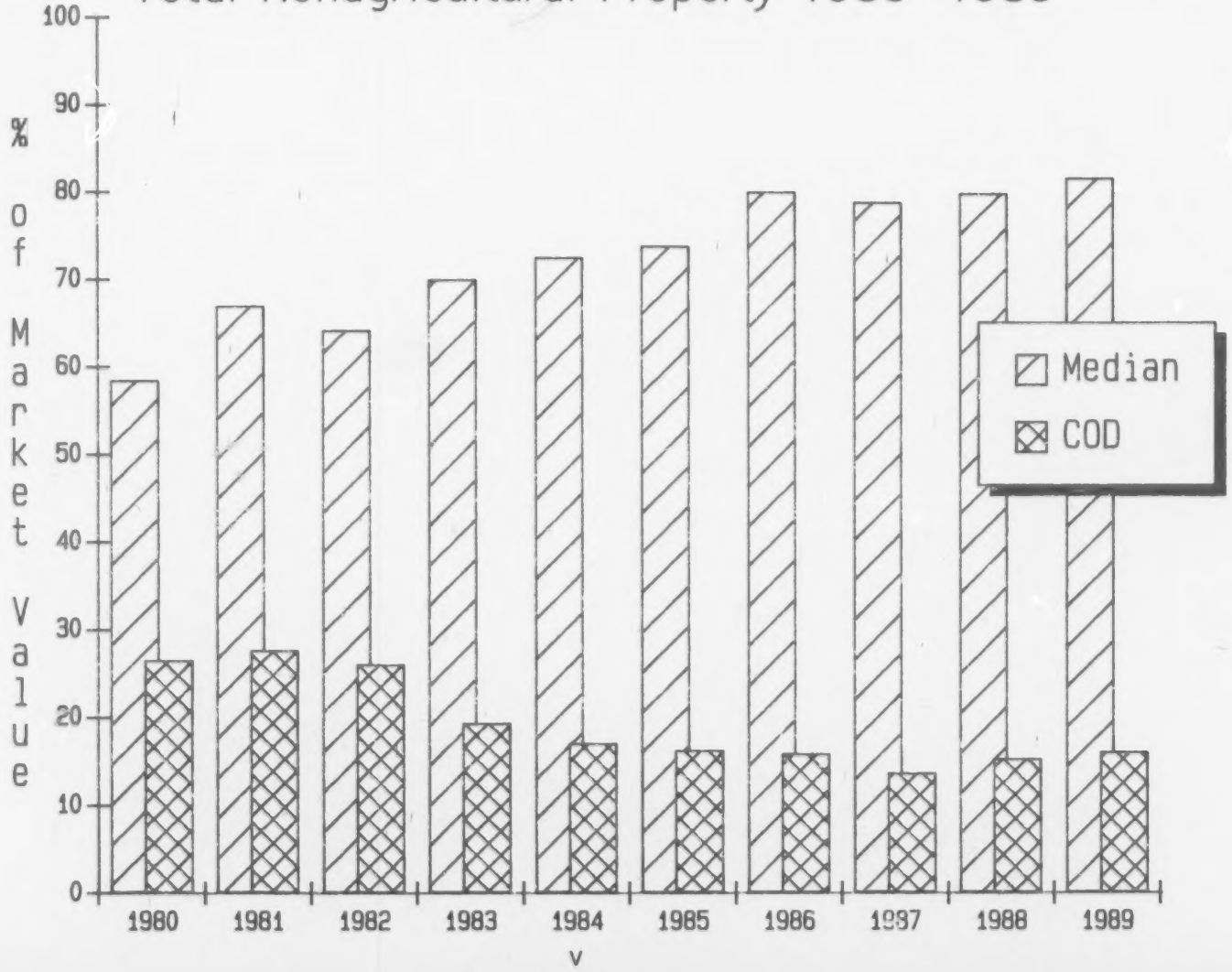
PART B: COEFFICIENTS OF DISPERSION

	VACANT LAND	RESIDENTIAL	COMMERCIAL	TOTAL NON-AGRICULTURAL PROPERTY
1980	0.463	0.179	0.332	0.266
1981	0.516	0.171	0.406	0.277
1982	0.503	0.149	0.437	0.261
1983	0.318	0.134	0.347	0.194
1984	0.324	0.121	0.345	0.171
1985	0.292	0.118	0.329	0.163
1986	0.269	0.116	0.309	0.159
1987	0.304	0.099	0.311	0.137
1988	0.292	0.107	0.287	0.153
1989	0.297	0.113	0.306	0.161

GRAPH 41

Median Sales Ratio and Coefficients of Dispersion

Total Nonagricultural Property 1980–1989



Bingo

The tax on state licensed bingo operations is based on a multi-tiered licensing structure. There are three classes of bingo license, each of which has a different tax rate. Each licensee's tax rate is based on their bingo receipts. Class A licensees, whose gross receipts do not exceed $15,600 per year, are taxed at 2.5 percent of their adjusted gross receipts. Adjusted gross receipts are the monies left after paying out prizes. Both class B and Class C licensees are taxed on their gross receipts. Class B licensees, whose gross receipts do not exceed $300,000, are taxed at 1.5 percent of their gross receipts. class C licensees, whose gross receipts exceed $300,000 per year, are taxed at 2 percent of their gross receipts from bingo.

Effective October, 1988 all taxes are collected by the department and deposited in the state general fund. Prior to that a portion of the money went to a bingo administration fund. Total monies deposited to the state general fund in 1988-89 were $845,841.

TABLE 42
BINGO COLLECTIONS
1978-79 through 1988-89

FISCAL YEAR	AMOUNT
1978-79	$127,072
1979-80	$142,458
1980-81	$159,422
1981-82	$276,216
1982-83	$388,758
1983-84	$415,224
1984-85	$412,285
1985-86	$600,158
1986-87	$730,593
1987-88	$798,818
1988-89	$845,841

Estate Tax

The Arizona estate tax is a tax on the transfer of property or interest in property which takes effect upon the owner's death. The estate tax is imposed on the net taxable estate before distribution, differing from the inheritance tax which is imposed on the portion of the estate received by a beneficiary. Arizona does not impose inheritance or gift taxes. Estate taxes are deposited into the state general fund.

The Estate Tax Office of the Arizona Department of Revenue is responsible for the collection of estate taxes and the processing of Estate Tax Returns and Reports of Personal Representative of Decedent. (Refer to Table 43)

An estate is not taxable and no estate tax return is required to be filed if a federal estate tax return is not required. However, a Report of Personal Representative of Decedent must be filed in order to obtain waivers to be used in connection with probate proceedings, to terminate joint tenancy on real property and/or to transfer stock held by resident decedents in companies incorporated in Arizona.

The Arizona estate tax for an Arizona resident decedent is an amount equal to the federal credit for state death taxes. If the decedent owned realty or tangible personal property located in another state, the Arizona tax is reduced by either the amount of death tax paid to the other state or a prorated share of the federal credit, whichever is less.

The Arizona estate tax for a nonresident decedent is a prorated share of the federal credit, based on the value of real property and tangible personal property having actual situs in Arizona.

Table 43
Collections of Estate Taxes

Fiscal Year	Collections	Refunds	Net
1983-84	$12,978,900	$442,689	$12,536,211
1984-85	$15,302,387	$555,594	$14,746,793
1985-86	$13,528,098	$359,381	$13,168,717
1986-87	$26,389,374	$720,537	$25,668,837
1987-88	$32,276,168	$1,297,578	$30,978,590
1988-89	$25,453,753	$1,374,046	$24,079,707

Luxury Tax

Arizona's luxury tax applies to cigarette and tobacco distributors and liquor wholesalers. During the 1988-89 fiscal year, $22,019,734 from luxury tax collections was deposited into the Corrections Fund, established by the Legislature in 1984. The remaining $69,052,845 was deposited into the State General Fund. (Refer to Table 44)

The department is responsible for issuing tobacco licenses and collecting taxes on tobacco products and alcoholic beverages. In addition, the department, with the assistance of the Department of Public Safety, investigates and confiscates contraband alcoholic beverages and tobacco products.

The current luxury rates on cigarettes, tobacco products and liquor are:

Tobacco Products	Rate
Cigarettes	
package of 20 or fractional part	$.15
package of 25	.1875
Cigars	
small cigars weighing not more than 3 lbs/1,000 package of 20 or less	.04
selling for $.05 or less (each 3 cigars)	.002
selling for more than $.05 (each cigar)	.002
Smoking tobacco, snuff, fine cut, chewing, etc. (per ounce)	.005
Cavendish, plug or twist (per ounce)	

Alcoholic Beverages	
Spirituous Liquors per gallon	$3.00
Vinous Liquors - more than 24% alcohol per gallon	4.00
Vinous Liquors - less than 24% alcohol per gallon	.84
Malt Liquor (Beer)	
per gallon	.16
per barrel (31 gallons)	4.96

TABLE 44
LUXURY TAX COLLECTION

SOURCE	1984-85	1985-86	1986-87	1987-88	1988-89	PERCENT OF COLLECTIONS 1988-89
SPIRITUOUS LIQUOR						
NET REVENUE	$17,049,450	$18,034,731	$17,059,104	$17,287,330	$17,532,966	19.252%
VINOUS LIQUOR						
NET REVENUE	$6,785,029	$7,563,260	$7,832,584	$7,961,950	$6,817,303	7.486%
MALT LIQUOR						
NET REVENUE	$14,102,897	$15,250,805	$15,927,165	$15,705,711	$16,193,267	17.781%
TOBACCO - ALL TYPES						
GROSS REVENUE	$51,386,983	$51,419,032	$51,781,811	$53,028,844	$51,418,132	56.458%
REFUNDS	($1,862,655)	($644,674)	($563,562)	($623,073)	($890,514)	-0.978%
LICENSES	$1,575	$1,575	$1,600	$1,600	$1,425	0.002%
NET REVENUE	$49,525,903	$50,775,933	$51,219,849	$52,407,371	$50,529,043	55.482%
TOTAL NET REVENUE	$87,463,279	$91,624,729	$92,038,702	$93,308,362	[1]$91,072,579	100.000%

1 Of the monies collected from the Luxury Tax during fiscal year 1988-89, $22,019,734 was deposited in the Corrections Fund. The remaining $69,052,845 was deposited in the State.

Cannabis and Controlled Substances

The State of Arizona in 1983 established a law that regulates the licensing for sale of cannabis and controlled substances.

The law establishes luxury tax rates of $10 per ounce on cannabis and $125 per ounce on controlled substances. Anyone in possession of a controlled substance or cannabis without the appropriate luxury tax stamps affixed, is liable for the tax. Anyone possessing or dealing in either cannabis or controlled substances is required to be licensed by the Arizona Department of Revenue, though neither the license nor the proper stamp makes possession of either legal under criminal statutes.

The fee for a license is $100; it provides only the right to purchase the required stamps. Each type of stamp can be purchased in three different denominations: gram, ounce and kilogram for cannabis stamps; and gram, ounce and pound for controlled substances.

The law specifically states that the license does not authorize nor provide immunity from prosecution for any criminal violations. However, any information relating to licensing must remain confidential. The law also prohibits the disclosure of any specific information relating to licensing and payments by a taxpayer.

In the event that a seizure of cannabis or controlled substances occurs, the Arizona Department of Public Safety, county sheriff or municipal police involved in the seizure are required to notify the Department of Revenue. The DOR is then required to levy a tax assessment on the amount of unstamped cannabis or controlled substances. The DOR is empowered to collect the tax assessment as it would any other unpaid tax. Any revenue resulting from the tax is to be distributed in equal shares to the police agency seizing the drug and the office of the county attorney prosecuting the case.

Since the law has been in effect, twelve licenses have been sold. Revenues to date from the sales of stamps are: cannabis $1,410, and controlled substances $880, for a total of $2,290. Total amount collected from assessment on cannabis and controlled substances through FY 1989-90 is $204,781.

	FYs 1983-89	FY 1989-90	Total
Cases Opened	87	2	89
Liens Filed	45	1	46
Lien Amounts	$3,362,099	$8,125	$3,370,224
Amount Collected	$203,215	$1,566	$204,781

Unclaimed Property

Responsibilities of the Unclaimed Property Program include the collection, safekeeping and disposition of unclaimed property, escheated estates, and unclaimed shares and dividends of Arizona corporations.

Unclaimed Property staff establishes and maintain records of funds and other personal property received from banking or financial organizations, insurance corporations, utilities, business associations, fiduciaries, state courts, and public officer and agencies which are presumed to be abandoned. The largest percentage of unclaimed property is comprised of:

- Bank or credit union accounts with no activity for five years
- Utility deposits not claimed in two years
- Contents of safe deposit boxes on which rent has not been paid for one year
- Travelers checks not cashed in fifteen years

Thirty-five percent of the net cash collected, after refunds, is transferred to the Department of Commerce to be used for funding low-income housing and the balance is deposited to the state general fund. Cash is deposited in the state general fund when received; personal property other than cash is sold at public auction with the proceeds deposited into the state general fund. Unclaimed property may be recovered by an owner at any time with proper documentation.

The Unclaimed Property staff establishes and maintains records of escheated estates and unclaimed shares and dividends. When a person dies without leaving a will and has no known heirs, or if a person dies and a known heir cannot be located, his or her property reverts to the state as the original and ultimate proprietor. (Refer to Table 45)

Funds received from escheated estates and from unclaimed shares and dividends are deposited into the Permanent School Fund. (Refer to Table 45)

Early in 1986, Arizona joined the Unclaimed Property Clearinghouse, a consortium of states supporting specialized audits of financial institutions which hold large numbers of unclaimed securities or other assets. This program has helped a substantial growth in the funds to the program.

TABLE 45
COLLECTIONS AND DISTRIBUTION OF UNCLAIMED PROPERTY

SOURCE	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
UNCLAIMED PROPERTY	$1,271,125	$1,864,695	$2,531,318	$4,824,885	$4,281,091	$5,742,921
REFUNDS	$239,286	$226,500	$320,995	$321,526	$476,051	$1,178,004
EXPENSES[1]						$197,698
HOUSING FUND[2]						$1,535,402
NET	$1,031,839	$1,638,195	$2,210,323	$4,503,359	$3,805,040	$2,831,817
ESCHEATED ESTATES	$231,461	$164,930	$106,091	$202,692	$141,532	$159,443
REFUNDS	$26,426	$155,558	$59,828	$152,751	$150,744	$9,458
NET	$205,035	$9,372	$46,263	$49,941	($9,212)	$149,985
UNCLAIMED DIVIDENDS	$71,641	$4,746	$17,168	$64	$45	$192
REFUNDS	$4,298	$77,522	$8	$1,551	$0	$0
NET	$67,343	($72,776)	$17,160	($1,487)	$45	$192
TOTAL NET REVENUE	$1,304,217	$1,574,791	$2,273,746	$4,551,813	$3,795,873	$2,981,994

DISTRIBUTION FY88-89

NET TO PERMANENT SCHOOL FUND	$150,177
NET TO GENERAL FUND	$2,831,817
TOTAL DISTRIBUTION	$2,981,994

1 A change in accounting methods resulted in an itemization of expenses beginning in FY 88/89.

2 Legislative action resulted in earmarking a portion of unclaimed property revenues for the Housing Trust Fund, beginning in FY 88/89.

DOR Organization

Department of Revenue

The Arizona Department of Revenue was created during a major reorganization of state agencies in 1974 by a merging the State Tax Commission and other agencies. The Commission had been created in 1912 and consisted of a three-member board which was elected for a six-year term. The reorganization in 1974 abolished the Commission and transferred its powers and duties to the newly designated Department of Revenue and the State Board of Tax Appeals.

Also merged under the new agency structure on July 1, 1974, were the duties, responsibilities and activities of the former Department of Property Valuation and the Estate Tax Commission.

The Department of Revenue then consisted of three divisions: Division of Property and Special Taxes; Division of Income, Luxury, Sales and Estate Taxes; and the Division of Administration.

Today, the department operates within five divisions: Administrative Services, Data Management, Property Valuation and Equalization, Tax Enforcement and Taxpayer Support and Education Services. All divisions are integrated to achieve their primary goal of efficient tax collection and processing.

The Department of Revenue is responsible for administering Arizona's tax laws in the primary areas of income, sales, use, luxury, withholding, property, estate, fiduciary, bingo and severance. In FY 1989-90, the department had an annual operating budget of $34.6 million with 959 full-time positions and an additional 55 seasonal employees. The department has approximately 160 temporary staffers during the tax season.

Its mission: to promote voluntary compliance with all tax obligations through fair administration, firm enforcement, and prompt and courteous service.

To accomplish this mission, the Department of Revenue is organized along functional lines to achieve its three major objectives: (1) efficient processing of returns, (2) timely enforcement of tax statutes and (3) accurate valuation of property. The following is a brief description of the activities performed within each division of the Department of Revenue.

The department has offices in Phoenix and Tucson, and opened another satellite office in the East Valley in the fall of 1989. The Phoenix office moved into a new building in the Capitol Complex, early in 1988, which enabled all of its Phoenix operations (except warehousing) to be housed under one roof. This improves communications and reduces operating costs.

The Director is responsible for the direction, operation and control of the department to ensure that the administration and collection of taxes is performed effectively and efficiently. The duties of the Director are established by statute. Reporting directly to the Director, the Legislative Services Section coordinates the flow of information on legislative issues. The Administrator serves as the department's Legislative Liaison and as its Disclosure Officer.

Major innovations which have received national attention over the years include:

- initiating one of the first-ever state tax amnesty programs;
- computerized mass appraisal systems for property valuation;
- the use of employee task forces to improve workflow and service levels; and
- the first comprehensive state tax automated communication system.
- established a 16-day average processing time for tax refunds.

HIGHLIGHTS

Department of Revenue

The Department realized a number of major accomplishments during the fiscal year 1989-90. These include:

* Resolved a dispute with a number of major banks in the state concerning the payment of corporate income taxes, resulting in a savings to the state in excess of $50 million.

* Successfully concluded dispute with a major coal mining company, resulting in a savings in excess of $80 million.

* Stepped-up enforcement of transaction privilege tax collections from swap meet and flea market vendors, bring additional taxpayers into compliance with the law.

* Recommended and saw passed into law extensive changes in the treatment of agricultural land for property taxation.

* Discovered and ordered corrected mis-classified vacant land parcels in Maricopa County, resulting in an additional $7 billion being added to the full cash value of the county.

* Established a night and Saturday telephone collection unit, which provides greater access with taxpayers who are unavailable during normal business hours.

* Established a strategic planning function for the department resulting in development of a five-year plan.

* Established a public information office to facilitate the flow of information to the public through various means, including the new media, brochures, telephone tax tapes, newsletters and more easily understood forms and letters.

* Developed, at the Governor's direction, a Program for Increased Enforcement Revenues (PIER), which was approved by the legislature for implementation in FY 1990-91. PIER will result in at least $19.7 in additional revenues to the state.

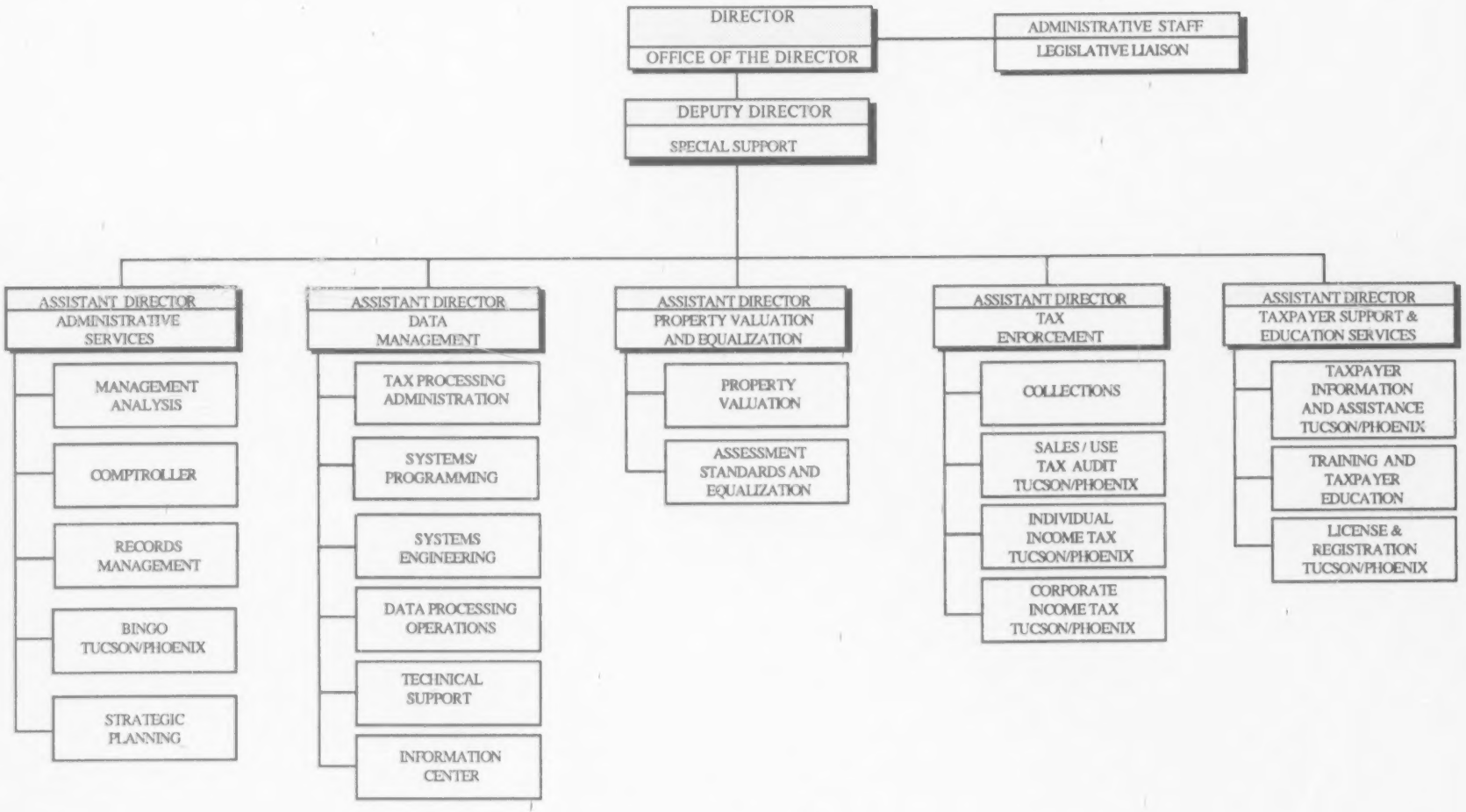
* Established an affirmative action office in the department to ensure compliance with affirmative action and equal opportunity laws and to develop department-wide training programs for all employees.

* The Director as chair of the Governor's Productivity Council, has set in motion an organization to set standards, goals and objectives for increased performance and productivity from all state agencies.

* With the Director of the department as Chairman, the Municipal Tax Code Commission was organized by statute to provide oversight and implementation of model city tax code for all Arizona municipalities.

* The statutorily created Property Tax Oversight Committee, chaired by the Director of the department, for the first time finalized levy limits for FY 1989-90 and began its mandatory examination of levy limits for the previous decade.

STATE OF ARIZONA
DEPARTMENT OF REVENUE
ORGANIZATION CHART



FEBRUARY 1989

Administrative Services Division

The mission of the Administrative Services Division is to provide efficient, quality, courteous service to our "customers" both within and outside the department. This division consist of the following five sections.

Comptroller

The Comptroller's Section is responsible for the financial accounting and reporting of Department of Revenue processed tax receipts. Additionally, the sections provides services in the area of personnel and payroll services, budget, purchasing, payables, management, unclaimed property administration and accounts receivables management.

Management Analysis

The Management Analysis Section performs in-depth internal management analysis of department programs and provides staff support in the implementation of recommendations that improve efficiency and effectiveness.

Records Management

The Records Management Sections maintains the statutorily required archival files of tax returns filed with the department, provides support services to access them and also performs microfilming processing of all income tax records. It also is responsible for facilities and telecommunications support services.

Bingo

The Bingo section licenses bingo operations, (off the Indian Reservations), and insures all licensed operations comply with the rules established for these games. It also provides an outreach program to explain the rules and record keeping requirements to all new licensees.

Strategic Planning

A new section formed to develop formal long-term strategical and tactical plans and disaster recovery plans for their Department. This unit also serves as staff to the Governor's Productivity Council.

Administrative Services Division

Comptroller

Unclaimed property receipts were $5.7 million and refunds issued were $1,174,623, more than three times our highest refund total. This was due to an employee-developed program and goal.

Records Management

Micrographics expanded its program, with no FTE staffing increase, to microfilm all audits, lien-related documents and accounts receivable maintenance documents providing additional record security and improved retrieval access to multiple users.

Bingo

An interagency agreement was completed between the Department of Public Safety and the Department of Revenue in which DPS assumed responsiblity for all criminal investigations of Title 13 crimes arising out of Bingo audits or administration.

Strategic Planning

The department began its first strategic planning program and is the staff for the State's Productivity Planning Council which is a strategic planning program for the Executive branch.

Data Management Division

The mission of the Data Management Division is to process tax filing documents and attached remittances from their receipt into the department through automated processing. This division provides all mainframe, mini computer and personal computer services. Additional activities include the administration of the agency Debt Setoff and Estate Tax programs. This division consists of the following six sections:

Tax Processing Administration Section

The Tax Processing Administration section provides information services pertaining to the tax systems. Additionally, it handles incoming and outgoing mail for the department and prepares documents for entry into the various automated systems. Document errors discovered during computer processing are resolved. Other functions include collections of estate taxes, issuance of waivers of tax on estates of deceased persons, and administration of the Debt Setoff program.

Data Processing Operations Section

The Data Processing Operations section enters data into the computer, operates the mainframe computer equipment, and prepares and monitors all mainframe computer program executions. Other functions include the serializing and preparing of remittances for bank deposits.

Systems and Programming Section

The Systems and Programming section designs and supports all application systems and programs as requested by all divisions in the department. Other functions include assisting in the coordination of efforts regarding design of computer input forms, and the resolution of errors involving computer application systems.

Technical Support

The Technical Support section installs and maintains the computer systems hardware and software. In addition, this section coordinates the acquisition and networking of all hardware linked to the mainframe computer. This area also provides support of mainframe terminal networks, and the tuning of hardware facilities to ensure efficiency.

Systems Engineering Section

The Systems Engineering section acquires, installs and maintains data base software products. In addition, this sections provides quality assurance programming services.

Information Center Section

The Information Center section provides all personal computer support services and operates and maintains the department's PC networks.

HIGHLIGHTS

Data Management Division

All Sections

Initiated a new Strategic and Technical Interface Group comprised of the administrators of each section in the division to involve all in the planning and implementation of the database facility and application system development.

Tax Processing Section

Accomplished 16-day average turnaround on income tax refunds.

The successful completion of another income tax season by the Tax Processing Section. Over 1.7 million income tax documents and 844,571 income tax refunds were processed within statutory deadlines.

Systems & Programming Section/Tax Processing Section

Implementation of the Mainframe Income Audit Assessment System. This new system will provide "leads" for income tax auditors to investigate and enable additional tax dollars due the State to be collected.

Systems & Programming Section/Tax Processing Section/Systems Engineering

Developed and implemented Production, Development and Technical database environments. This is the first step toward the successful implementation of the full database system which is scheduled for completion in 1994. The database system will enable the department to fulfill the mandates of the 1985 General Tax Administration Act.

Computer Operations Section/Technical Support Section

Successfully moved and installed the mainframe hardware, data entry hardware and remittance processing hardware into the new building. Installed a Halon Fire Suppression System and an early warning environmental device designed to detect excessive heat, humidity and water in the computer room and tape storage vault.

Recalled approximately 1200 W2/1099 tapes from an offsite vendor/Records Retention and established our own offsite tape vault in the vault we used previously in the Capitol Building. Also implemented disaster recovery programs and procedures for the offsite storage of critical data tape backups.

Technical Support Section

Established a computer link with the Motor Vehicle Division of the Arizona Department of Transportation to serve as a source of information for skiptracing purposes and to identify taxpayer assets for lien and seizure. This link has enhanced our collection efforts and resulted in the collection of monies due to the state.

Information Center Section

Developed a dBase package for Corporate Tax to allow field auditors to have reference access to court cases when performing an audit. Also developed a dBase package for the Hearing Office to track the progress of their cases.

Reviewed and made recommendations for the Unclaimed Property System which was purchased for the Comptroller's Office. This will employ six PCs and allow public access to the system to research our unclaimed property files, thus enhancing the number of dollars returned to the rightful owners.

Property Valuation and Equalization Division

The mission of the Property Valuation and Equalization Division is to ensure that all property in the State of Arizona is accounted for, properly classified and valued equitably for ad valorem tax purposes as provided by Arizona state law.

Property Valuation Section:

Centrally Valued Properties Unit

Annually determines the full cash value of all utilities, railroads, airlines, pipelines, mines, and other complex or geographically-dispersed properties. Values determined by this unit for such properties are transmitted to the appropriate County Board of Supervisors for entry upon the county tax rolls for levy and collection of property taxes.

Locally Assessed Property Unit

Oversees and ensures the application of uniform appraisal methods and techniques by the Department and the County Assessors to determine the valuation of real and personal property. Assists the County Assessors in assessing residential, commercial, industrial and agricultural properties. Currently conducting a statewide recanvass of all commercial, industrial and multi-family residential properties.

Assessment Standards and Equalization Section:

Manuals and Certification Unit

Develops uniform appraisal methods and techniques to be utilized by the Department and County Assessors in determining valuation of real and personal property for ad valorem tax purposes. Compiles and updates appraisal manuals and guidelines annually. Assists the County Assessors in maintaining and updating a standardized cadastral mapping system. Develops appraiser certification standards and provides an appraiser certification program and field training to Department and County Assessors' appraisal staffs.

Research and Equalization Unit

Ensures that all property in the state is assessed for tax purposes at its full cash value. ARS 42-150 mandated a biennial equalization process beginning with the 1988 tax year. To develop the statistics necessary to evaluate Assessor performance, conducts studies comparing assessed values with the actual sales price of recently-sold property (sales ratio study) several times a year. Studies are done by county, type of property, and area. Also develops, annually, mass appraisal models for many residential properties in the state.

HIGHLIGHTS

Property Valuation and Equalization Division

Property Valuation Section:

Centrally Valued Properties Unit

Implemented a new report tracking system to verify that industries which are valued by the department file their annual property tax reports in a timely manner. This was initiated in response to a new law which allows the department to collect late filing penalties from the affected industries. Once a penalty is determined, the report is given to the Collections and Litigation Unit for follow-up activity.

With cooperation from the pipeline industry, developed a statutory valuation model for gas transmission companies.

Revised and simplified reporting procedures, requirements, and forms for airline companies and water utilities to ensure that the department receives all necessary information on a timely basis.

Locally Assessed Property Unit

Completed two pilot recanvassing projects in Maricopa and Pinal Counties.

Commenced the implementation of the new computerized construction cost system in Mohave, Coconino, Navajo and Apache Counties. All commercial, industrial and multi-family properties in Arizona will be recanvassed over the next three years.

Prepared two special reports on vacant land in the northeast quadrant of Maricopa County. As a result, approximately 60 parcels of vacant land were reclassified.

Assisted in the development and implementation of a new agricultural land statute which prescribes criteria and procedures for classification of land used for agricultural purposes. Developed application forms to be mailed to all taxpayers having agricultural land.

Assessment Standards and Equalization Section:

Manuals and Certification Unit

Prepared new curriculum materials for property appraiser and assessor training and certification courses, and implemented new certification program based upon four levels of professional qualification.

Conducted training for County Assessors' and Department of Revenue staffs in the design and use of the new construction cost system, including classroom study and field canvassing of buildings.

Supported development of the new construction cost system, including coordination of technical features of the manual, testing of data processing applications in the construction cost system, and refinement of building models and components within the system.

Cooperated with other state and county agencies to initiate a pilot project to study applications and techniques of geographic information systems as applied to property ownership and characteristics information maintained for property tax purposes.

Research and Equalization Unit

Adopted editing and review procedures to improve the quality of data used as the basis for the division's sales ratio studies.

Implemented 1989 Equalization Orders for the 1990 tax roll to ensure that all property in the state is appraised for tax purposes at its full cash value.

Developed and administered the data collection of sales used in a special study of depreciation schedules for the 1990 construction cost system.

Adopted administrative rules on sales ratio and equalization procedures to reflect statutory requirements.

Research and Equalization Unit staff presented technical research papers at the World Congress on Computer-Assisted Valuation in Cambridge, Massachusetts, and the Annual Conference of the International Association of Assessing Officers in Nashville, Tennessee.

Tax Enforcement Division

The mission of the Tax Enforcement Division is first, to ensure compliance with Arizona tax laws and Department of Revenue regulations and policies through the auditing of the income, withholding, sales and use tax returns. Secondly, this division ensures the efficient and impartial enforcement of all Arizona tax laws and DOR administrative rules and procedures in the collection of delinquent taxes. This division consists of the following four sections:

Individual Income Tax

The Individual Income Tax Section conducts office audits of individual taxpayers. Audits are selected through matching federal and other agency information to state records. Audits are also performed on taxpayers who have been audited by IRS and failed to report these changes to the state. This section also handles hearings, prepares briefs and deals with non-filers. The automation of assessments has allowed the section to independently pursue new sources of revenue.

Corporate Income Tax

The Corporate Income Tax Section conducts audits of corporate income taxpayers. Much of the work is performed out-of-state where the corporate headquarters are located. The section receives copies of federal audits on Arizona filers from the Internal Revenue Service (IRS). These are processed in the office audit function. This section also handles audits of holders of unclaimed property. Audit select is currently handled manually and is based on the type and number of adjustments.

Sales and Use Tax

The Sales and Use Tax Section conducts audits to ensure that the laws governing these taxes are adhered to by the taxpayers. Audit selection is currently automated to select, on a cyclical basis, the major payers of sales tax. The majority of the other audits currently being selected are through re-audits and auditor self-generated audits.

Collections Administration

The Collections Administration Section secures the payment of delinquent taxes and filing of delinquent returns in an impartial manner via direct phone and voluntary compliance with Arizona's tax laws. This section also protects the interest of the state through enforced collections of the most seriously delinquent and jeopardized taxes.

Tax Enforcement Division

Sales Tax Audit

Established centralized audit select program to identify taxpayer with possible misstatement of tax liability.

Incorporated industry specific audit programs into existing system to establish compliance in the area of underreporting.

Implemented, through centralized review, a quality control audit system.

Increased responsiveness to cities program inquiries, such as taxpayer accounts, changes to local ordinances and provision of general information.

Developed and implemented a link between mainframe records and field auditor portable computers.

Coordinated the training of field auditors to the administration of specific city taxing scheme.

Corporate Tax Audit

Automated assessment package created and now being issued to the taxpayer; package includes reports, schedules and narrative of findings.

Created a data base of prior audit information to aid in audit select.

Refined core curriculum and outlines developed and updated.

Streamlined the protest tracking system which allows the closing of older cases.

Collections

Increased enforcement collection revenue from $72,653,361 for FY 87/88 to $84,526,393 for FY 88/89, an increase of 16.34 percent.

Reduced the total outstanding balance of accounts receivable from $182,683,698 in June 1988 to $177,391,029 in June 1989, a 2 percent reduction.

Developed specifications and prepared a request for proposal for an auto dialing system.

Established a specialized skiptrace unit and developed batch processing procedures to efficiently and effectively locate delinquent taxpayers.

Established procedural and automation changes which allowed the department to file 106 percent more liens and issue 169 percent more levies than in FY 87/88.

Established a datalink with the Department of Transportation to allow on-line access to certain vehicle registration and driver's license records.

Established a datalink with our vendor collection agency to allow access to contractor filed DOR accounts.

Individual Income

Developed a mainframe audit system whereby assessments are generated through a mainframe computer.

Increased assessments to $34.5 million and collections to $16.5 million, an increase of 59 percent and 42 percent respectively from the previous year.

Taxpayer Support and Education Services Division

The mission of the Taxpayer Support and Education Services Division is to provide prompt and quality service to the taxpayer, to maximize the level of compliance through research and resolution of taxpayer accounts, and to accelerate the collection of revenues due the State through taxpayer and employee education and assistance. This division consists of the following three sections:

Taxpayer Information and Assistance

The Taxpayer Information and Assistance Section provides general information concerning business and individual income taxes administered by the department. The section also resolves taxpayer account problems and insures that all billing inquiries and disputes are resolved in an accurate, courteous and timely manner.

License and Registration

The License and Registration Section processes license applications for sales tax, use tax, tobacco, cannabis and controlled substances, and employer withholding tax; performs compliance activities to identify and license previously unlicensed businesses; and provides assistance to the public through dissemination of general license information, distribution of tax forms and cashiering services.

Training and Taxpayer Education

The Training and Taxpayer Education Section provides and insures training support for department production and service, planned department change and individual employee growth. The section also develops and promotes public information media concerning tax administration.

Taxpayer Support and Education Services Division

Taxpayer Information and Assistance Section

Responded to approximately 354,000 telephone and written inquiries during FY 88-89 concerning general and billing questions.

Responded to 65 percent of all taxpayer inquiries within 30 days and had an average response time of 24 days. This was the best response time in the history of the taxpayer service activity for the department.

Began tracking taxpayer contacts and complaints in January 1989. There were 245,358 taxpayer contacts during that six month period and only 30 complaints for an overall taxpayer satisfaction rate of 99.98 percent.

License and Registration Section

Identified 2,320 previously unlicensed businesses and generated nearly $4,000,000 in new revenues.

Processed 40,821 license applications exceeding the previous annual record by eight percent. The turnaround time for issuing licenses dropped from an average of 1.6 days the previous year to 1.3.

Responded to tax form order increases of 14 percent by filling 102,242 orders during the fiscal year with an average turnaround of one day. Forms orders generated $48,402.

Cancelled over 19,000 inactive licenses through the zero filer program, generating $259,000 in revenues from taxpayers who revised zero fillings when faced with loss of their license.

The section is particularly proud of their achievements in cooperation with the Department of Economic Security to simplify licensing for employers and sales tax license applicants. A new joint application was developed and implemented which eliminated the need for employers to complete and submit separate application forms to each agency. In conjunction with this program, the section undertook a special project to identify employers listed with the DES that did not have a withholding account with the DOR. This project generated over 200 new withholding accounts.

There were over 130,000 taxpayer contacts and the customer surveys showed a satisfaction rate of 1.12 on a scale of 1 to 5, 1 being the highest.

Training and Taxpayer Education

Increased the availability of training significantly for the areas of phone collections, taxpayer assistance and sales tax audit by converting existing curriculum to self-teaching format and strengthening training by adding formal on-the-job training components.

Provided 27,767 trainee hours to department employees. 65.7 percent of the training was in the revenue producing areas of audit, collections, taxpayer assistance and document processing.

Conducted 13 workshops throughout Arizona on tax law and form changes for 1,740 tax practitioners.

In conjunction with the IRS, trained more than 2,100 volunteers who in turn assisted over 65,000 low income and elderly persons in preparation of their 1988 tax returns.

Conducted 22 Small Business Workshops statewide in conjunction with the IRS, Department of Labor, Small Business Administration, Industrial Commission and the Department of Economic Security.

Special Support

Special Support Group

The Special Support Staff is responsible for agency-wide functions such as administrative hearings, affirmative action, budget, econometrics, internal audit and criminal investigations, public information, special taxpayer assistance, and tax policy serves under administrators who report directly to the Deputy Director.

Affirmative Action Officer

The Affirmative Action Officer is responsible for instructing department employees on Equal Employment Opportunity and Affirmative Action laws, rules and policies and investigates allegations of discrimination and sexual harassment.

Budget Office

The Budget Office is responsible for the coordination and the preparation of the department's annual budget request.

Econometrics

The Econometrics Section provides technical services in the form of: forecasting general fund revenues, calculating fiscal impacts on proposals affecting tax collections, reporting information on taxes, staffing of statutorily mandated commissions, monitoring and ensuring proper distribution of tax collections.

Hearing Office

The Hearing Office responds to taxpayer requests for administrative tax appeal hearings. A hearing officer is responsible for presiding over the hearing, evaluation the evidence presented and rendering a decision on the tax appeal.

Internal Audit and Criminal Investigations

The Internal Audit and Criminal Investigations Section has a two major responsibilities: evaluating the policies, procedures and controls of the department and to make recommendations to improve effectiveness, efficiency and management of resources; and secondly, investigating tax fraud with the assistance of the Attorney General's Office, recommending criminal prosecution when warranted.

Public Information Office

The Public Information Office is responsible for facilitating the flow of accurate and timely public information while protecting statutorily confidential taxpayer and proprietary information. The Public Information Officer coordinates all media contacts and inquiries, requests for speakers and information from the department to the public. It also is responsible for publishing the Annual Report, coordinating the review and revision of all income tax forms and instructions, the publication of two newsletters, tax assistance brochures, telephone instructional tapes, and other notices to the public.

Arizona Taxpayer Assistance Office (Ombudsman)

The statutorily established Arizona Taxpayers Assistance Office is the "point of last resort" for dissatisfied taxpayers. The Ombudsman works with them to resolve disputes they have with the department and is also responsible for monitoring taxpayer complaints regarding improper, abusive and inefficient service by the department. Additionally, this office monitors the number and type of seizures made by the department.

Tax Policy

The Tax Policy Section reviews, analyzes, develops and disseminates policy for the department. It is responsible for development of adminstrative regulations and for the annual review of tax forms to ensure they are in compliance with current law.

Special Support Group

* Through the publication of *Arizona Tax News*, *Tax Facts*, participation in the newly formed Arizona Forum for Improving Taxation and other mediums, improved the flow of information to Arizona taxpayers and the tax professional community.

* Increased criminal investigations of tax matters, resulting in eight new indictments, five convictions or pleas, with three cases remaining to be concluded at year's end.

* Conducted 321 hearings, opened 977 new cases and closed 1,011.

* Completely restructured the *Arizona Revenews*, an in-house publication for the employees of the department, making it more professional looking and more informative on the functions and employees of the agency.

* Updated and improved on a computerized tax model program to provide improved information on Arizona taxpayers by legislative district.

* Responded to 6,600 complex and technical tax questions from the public which required statutory research, analysis and interpretation. This is a 13 percent increase over last year.

* Reviewed and analyzed over 124 pieces of new legislation.

* The Tax Policy Section was expanded and restructured to provide a concentrated policy support structure for the Tax Enforcement Division in the form of research, analysis and interpretation for the various taxation audit sections. Additionally, some personnel provide guidance to the audit sections on protested cases through preparation of position memoranda and case briefs.

Summary of 1989 Legislation

Administrative

S.B. 1010 (Ch. 106) Bingo Regulation

Amends the bingo statutes to relieve Class A licenses, small game classification, from several restrictive administrative requirements. Added language restricts bingo licenses for Class A to persons not holding liquor licenses for the bingo premises except for holders of a club license as defined in Sections 4-101 and 4-205. Effective September 15, 1989.

S.B. 1324 (Ch. 71) Amended Tax Return; Waive Penalties

Allows taxpayers who voluntarily file amended tax returns to avoid late payment penalties. For a taxpayer to qualify for the penalty waiver, he must not be under audit by the Department of Revenue, an amended return must not have been filed on demand or request by the Department of Revenue, and there must not have been a substantial understatement of tax liability on the original return. An understatement in an amount greater than 10 percent or more of actual tax liability or $2,000.00 constitutes a "substantial understatement." This bill is effective September 15, 1989.

H.B. 2024 (Ch. 136) Nuclear Emergency Appropriation and Assessment

H.B. 2024 assesses commercial nuclear generating stations $635,100 for purposes of administering and enforcing the state plan for off-site response to an emergency caused by an accident at a commercial nuclear generating station. This bill is effective September 15, 1989.

H.B. 2214 (Ch. 304) Appraisers; Regulation

Establishes a joint legislative study committee to review the feasibility and need for licensing, certification or regulation of appraisers in the State of Arizona. The committee will review state and federal laws and regulations relating to appraiser regulation and prepare a legislative report by December 1, 1989. Effective June 28, 1989.

H.B. 2222 (Ch. 43) Department of Revenue Administration

Gives the Director of Department of Revenue the ability to delegate functions, duties or powers as he deems necessary to carry out the efficient operation of the department. Further, this bill prohibits department employees from preparing federal, state or local government tax returns for compensation. An employee who violates this section is subject to immediate dismissal. Additionally, H.B. 2222 extends the deadline by one month for delivery of the supplemental report to the legislature and the Governor which contains the department's proposed legislation concerning improved taxation in the state. Effective September 15, 1989.

H.B. 2556 (Ch. 291) County Jail Districts

The purpose of H.B. 2556 is to allow County Boards of Supervisors to establish special county jail districts with certain authority and taxation powers. The district is to acquire, construct, operate, maintain and finance county jails and jail systems.

A district-wide election is required for a county jail district to levy either the special transaction privilege tax or the secondary property tax. The two counties with population over 500,000 (Maricopa and Pima) are not allowed to levy the transaction privilege tax. All counties may elect to levy the property tax. If a smaller county elects to levy the transaction privilege tax, the rate may not be more than 10 percent of the rate levied by the State on a taxable business activity. The tax may only be enacted either January 1 of July 1 of each year to aid administration and the election of the tax process. This bill is effective September 15, 1989.

Income

S.B. 1066 (Ch. 218) "S" Corporation Election Form

Amends A.R.S. 43-1126 to eliminate subsection B, the requirement that the Department of Revenue be notified by a corporation of its federal election to be taxed as Sub-S Corporation. An electing small business corporation shall file an annual tax return to the Department of Revenue before the fifteenth day of the third month following the close of the taxable year. Effective September 15, 1989.

S.B. 1228 (Ch. 262) Tax Checkoff; Game and Fish

Extends the statutory expiration of the game and fish contribution allowed on the Arizona Individual Income Tax Forms. The contribution parameters stay the same, with the date extended to be through tax year 1999. Effective September 15, 1989.

S.B. 1329 (Ch. 194) Enterprise Zones; Criteria; Tax Credit

S.B. 1329 amended the procedures and criteria for establishing enterprise zones; as well as prescribing new qualifications and amounts for the business tax credit incentives relating to enterprise zones. This bill contains an emergency clause and is effective May 15, 1989. The first tax year a credit may be claimed is for 1990.

H.B. 2333 (Ch. 211) Tax Deduction; Federal Excise Tax

H.B. 2333 removes an income tax deduction at the state level for federal excise taxes, beginning in the 1989 tax year. This includes a deduction for federal excise taxes specifically listed by Subtitle E of the Internal Revenue Code and the deduction for federal taxes paid on motor vehicle fuel, use fuel and aviation fuel. This bill applies retroactively to taxable years beginning from and after December 31, 1988.

H.B. 2637 (Ch. 272) Correctional Industries; Tax Credit; Recapture Tax

Establishes a corporate income tax credit for corporations that enter into an agreement with the Department of Corrections to operate as a private employers on correctional facilities. The law provides for the credit to be recaptured on a declining schedule over three years should the corporation cease to participate in the use of the correctional qualified property. Emergency effective date is June 23, 1989.

Property

S.B. 1132 (Ch. 33) Valuation of Pipeline

Establishes a method of determining the full cash value of pipeline property for property tax purposes. The new methodology results in more objective, predictable valuations and should minimize contested valuation methods. Effective April 14, 1989.

S.B. 1316 (Ch. 254) Hospital Districts; Territory; Taxes; Leases

The purpose of S.B. 1316 is to clarify powers of hospital districts pertaining to their establishment, taxing authority and leasing capabilities. This bill provides hospital districts increased capability to meet their financial difficulties. A hospital district can now exclude from the district boundaries natural geographic features such as rivers and mountain ranges, or exclude vacant parcels of land which have separated other district adjacent areas. A cap is placed on secondary property tax imposed by districts. Effective September 15, 1989.

S.B. 1366 (Ch. 61) Agricultural Use; Definition and Criteria

S.B. 1366 provides the County Assessors and the state the tools to work with to assure that agricultural land is properly classified and valued. The bill puts a definition of agriculture into the statutes and requires owners of agricultural properties to annually certify that they meet the minimum qualifications of a farm or ranch.

Those minimum qualifications include at least 10 acres of cropland, 10 acres of permanent crops, or a minimum number of 40 animal units. Property which is out of production due to an act of God, loss of water, crop rotation, or a federal set aside program may still be considered agricultural. In addition, the property must have a reasonable expectation operating profit, exclusive of land cost.

The annual verification is due to the Assessor by September 16th. A property owner may appeal the decision of the County Assessor. If it is determined that an owner has provided erroneous information, the land is assessed the property taxes retroactively and a 25 percent penalty imposed.

The bill also requires County Assessors to field inspect 25 percent of the agricultural properties in their jurisdiction each year. Approved by the Governor April 19, 1989. Effective property tax year 1989.

H.B. 2106 (Ch. 64) Railroads, Airlines; Assessment Ratio

This is a clarification of existing tax codes that adds Class 4 personal property to the formulas currently used to calculate Class 7 primary and secondary tax assessment ratios. This change enables current property tax statutes to conform to the 1987 U. S. District Court decision Atchison, Topeka & Santa Fe Railway Company vs. the State of Arizona. Effective September 15, 1989.

H.B. 2188 (Ch. 303) Mobile Homes, Lien; Affixture

Prescribes requirements and procedures for mobile homes regarding taxation and affidavits of affixture. This bill states that any mobile home which is permanently affixed to the owner's property and for which an Affidavit of Affixture has been recorded would not be subject to the mobile home relocation fund tax. All other mobile homes will be assessed tax. Effective June 28, 1989.

H.B. 2201 (Ch. 128) Special Taxing Districts; Immunities

Provides for certain immunities from civil liability of special taxing district officials for certain good faith official acts. Effective May 2, 1989.

H.B. 2224 (Ch. 111) Cooperative Apartments; Homeowners' Rebate

Corrects a technical oversight in 1988 legislation contained in 1988's S.B. 1261. The $500 cap which was placed on the homeowners' property tax rebate was based on a per parcel on the tax roll but the property tax is allocated among the owner-occupied housing units. The restriction caused the Class 5 owner-occupied residences in cooperative units to share the $500 cap among all residents, rather than each residence having a $500 cap as all other owner occupied residences enjoy.

The bill contains retroactive language which will allow retroactive correction for the 1988 property tax year.

H.B. 2230 (Ch. 11) Property Tax Oversight Commission

Amends several statutes in A.R.S. Title 42, Article 4 "Budget and Levy". Generally, this bill provides that when a governing body is in violation of its maximum allowable primary property tax levy limit, and receives notice of this too late to correct the levy, then the difference between the amount actually levied and the maximum allowable primary property tax levy is to be set aside in a special fund. The amounts in this special fund are to be used to reduce the primary property taxes levied in the following year and expand the members from three to five. Effective September 15, 1989.

H.B. 2232 (Ch. 44) Special District Impact Statement

Requires an impact statement to be filed in connection with formation of, or changes in the boundaries of certain special taxing districts. The notification requirements are changed from owners of real property to owners of taxable property. The bill also contains additional administrative law changes. Retroactive to July 1, 1989.

H.B. 2315 (Ch. 85) Unorganized County Community College Levy

Pertains to procedural matters in the resolution for election to authorize a community college district to levy property taxes in excess of established limits. The bill requires additional information to be included in the resolution requesting voters to approve the levy of property taxes in excess of prescribed limits. It amends A.R.S. 42-301.01 relating to the county levy for community colleges by adding requirements for reporting maximum secondary tax amounts and growth rates. Emergency effective date of April 24, 1989.

H.B. 2355 (Ch. 166) Initial Municipal Primary Tax Levy

Provides that the initial primary tax levy for a city, town, county or community college may not exceed a voter approved amount, but the levy does not have to equal the voter approved amount.

The ballot to impose a primary property tax levy shall state an initial and maximum levy amount. The maximum amount shall be a base for subsequent fiscal year levy limitations. The initial voter approved levy shall be applicable to the next fiscal year. Effective date is September 15, 1988.

H.B. 2373 (Ch. 116) Property Tax Refund; Church Property

This bill provides for the refund or forgiveness of property taxes and penalties paid or owed by churches. This class of property is considered tax-exempt as long as they timely file affidavits with the county assessors requesting the exempt status. The bill addresses a problem in the cases where a church fails to file the affidavit before April 10 each year or before October 1st when the first half taxes are due and payable.

This bill provides relief for churches that did not meet the affidavit filing requirements or which might have paid taxes. Emergency effective date April 28, 1989.

H.B. 2652 (Ch. 202) Scientific Resources Protection; Tax Exemption

The purpose of H.B. 2652 is to give property tax exempt status to properties owned by certain types of charitable non-profit organizations qualified by the Internal Revenue Service. These must be organized for the purpose of preserving and protecting scientific, biological, geological, paleontological, natural or archaeological resources. This bill is effective September 15, 1989.

Transaction Privilege Tax

S.B. 1099 (Ch. 188) Senior Utility Assistance; Eligibility

Extends the term of the Senior Utility Program to June 30, 1990 and calls for a report to be prepared by the Department of Commerce and the Department of Economic Security by January 15, 1990 on their review of federal and state energy assistance programs available to residents of this state and to develop recommendations on ways to improve the coordination and delivery of energy assistance programs. Effective May 15, 1989.

S.B. 1404 (Ch. 188) Sales Tax Exemption; Cactus League

This bill provides for certain non-profit organizations affiliated with a major league baseball Cactus League team to be exempt from the transaction privilege tax. Business activities subject to the exemption include retail sales, commercial lease, amusements and restaurant sales. After December 31, 1989, cities, towns or special taxing districts are prohibited from taxing these activities exempted by the state. The exemption provisions are retroactive to July 1, 1986.

S.B. 1461 (Ch. 73) Telecommunications Tax for the Deaf

Increases the maximum effective tax rate for the telecommunications services for the hearing impaired used to fund the assistance network at the Council for the Hearing Impaired. The maximum rate was raised to 8/10 percent on the basic telephone service charges and requires the Joint Legislative Tax Committee to meet each year to set the tax rate.. The 1989-90 tax rate is 6/10 percent effective July 1, 1989. Bill contained emergency clause, effective April 20, 1989.

H.B. 2139 (Ch. 251) Transaction Privilege Tax; County Hospital

This session law allows a county meeting limited qualification criteria to levy a transaction privilege tax on businesses taxed for the purpose of retiring county hospital warrants. The Department of Revenue shall transfer all monies collected under this section to the State Treasurer for deposit in a separate county hospital fund. A thirty day notification period on the termination of the tax is included to provide sufficient time to prevent substantial over-collection of revenues. The bill also provides an exemption from the additional tax for construction contracts entered into prior to the imposition of the tax and without a provision to pass along tax increases in the contract. Department of Revenue certification of the exemption is required. The Gila County Board of Supervisors levied the tax on September 1, 1989 at 10 percent of the state tax rate on taxable business activities. This is an emergency law, effective June 20, 1989.

H.B. 2491 (Ch. 244) Sales Tax Exemption; Hayrides; Stables

H.B. 2491 exempts real property used for boarding horses from sales tax by excluding such property from the commercial lease classification.

Second, this bill exempts the leasing or renting of animals used for recreational purposes from sales tax by excluding such property from the personal property rental classification prior to December 31, 1988. This activity is taxed from and after January 1, 1989. This bill also exempts the operators of hayrides and other animal-drawn amusement rides and recreational tour operators using certain motor vehicles from sales tax by excluding such rides from the amusement classifications prior to December 31, 1988. These activities are taxable from and after January 1, 1989.

Tax refund provisions are provided under certain limited circumstances. This bill is effective retroactively to taxable period beginning from and after December 31, 1988.

Unclaimed Property

S.B. 1326 (Ch. 154) Unclaimed Property Act; Amendments

S.B. 1326 reduces the period of time from seven to five years for the state to become the custodian of unclaimed property. The holding period is the time the unclaimed property is held by the business or individual awaiting a claim of ownership. After the holding period, the business turns the property over to the Department of Revenue to serve as custodian of the property. Unclaimed property includes such items as bank deposits and funds, life insurance policies, checks, drafts and similar instruments and other types of property held by agents, fiduciaries, courts and public agencies. This bill is effective retroactively to October 1, 1988.

H.B. 2646 (Ch. 308) Utility Assistance Fund

H.B. 2646 removes unclaimed utility deposits and refunds from the Uniform Unclaimed Property Act. Section 44-308 of the original law has been repealed. Section 46-731 establishes a utility assistance fund which is to be used to help eligible recipients pay utility bills and repair appliances. The use of these funds will begin on July 1, 1990 and repeal effective June 30, 1992. This bill is effective June 30, 1990.

Taxpayer Information

BROCHURES AVAILABLE

The following brochures and forms may be obtained by writing to License and Registration, Arizona Department of Revenue, PO Box 29069, Phoenix, Arizona 85028 or telephone (602) 255-3381.

Sales Tax on Hotel/Motel: The Basics
Sales Tax on Real Property Rentals: The Basics
Sales Tax on Restaurants & Bars: The Basics
Sales Tax on Amusements: The Basics
Sales Tax on Retail: The Basics
Sales Tax on Contracting: The Basics
Sales Tax on Personal Property Rentals: The Basics
County Excise Tax
Reporting Arizona Sales & Withholding Tax
Starting a New Business
Guide to State Licensing
ST-1 Instructions

FORMS AVAILABLE

Individual

140	Long Form
140 A & CR	Deductions & Credits
140-I	Instructions
140A	Short Form
140A-I	Instructions
140NPR	Non/Part Year
140NPR(NR) A/CR	Deductions & Credits Nonresidents
140NPR(PY) A/CR	Deductions & Credits Part Year Residents
140NPR-I	Instructions
140PTC	Property Credits
140PTC-I	Instructions
140RPTC	Renter's Property Credit
140CRH	Commercial Credits
140X	Amended
140X-I	Instructions
140ES	Estimated Payments
141	Fiduciary
141-I	Instructions
141-K1	Resident Share of Income
141-K1-NR	Nonresident Share of Income
131	Deceased Taxpayer
204	Extension
216	Employee Business Expense
393	Moving Expense
NOL-1	Net Operating Loss
NOL-2	Net Operating Loss Worksheet

Corporate

120	Corporate Tax
120-I	Instructions
99T	Exempt Return
99T-I	Instructions
120EXT	Extension
120X	Amended
120S	S Corporation
120S-I	Instructions
120S K-1 NR	Shareholder's Income/Deductions Nonresident
120ES	Estimated Payment
99	Exempt Information Return
99-I	Instructions
220	Underpayment

Partnership

165	Partnership Return
165-I	Instructions
165K-1	Schedule for 165
165K1-NR	Schedule for 165 Nonresident

Miscellaneous

F-3	Notice of Assumption of Fiduciary Duties
74	Report of Personal Representative of Decedent
76	Estate Return

Tax Tapes Available

The following tax topics are available on pre-recorded tapes by calling (602) 542-1991.

Tape No.	Subject
	ADOR Procedures and Services
101	Information Available From The Department of Revenue
102	Where to Call for Help Within the Department of Revenue
103	The Ombudsman - Special help for Problem Situations
104	The Collection Process
105	How to Report a Criminal Tax Violation
106	Organizations - How to Apply for Exempt Status
	Filing Requirements, Filing Status, Exemptions
201	Who must File an Arizona Individual Tax Return?
202	As an Arizona Resident, Which Form Should I File?
203	When, Where and How to File Your Arizona Individual Tax Return
204	Amending Your Arizona State Income Tax Return
205	Filing Requirements for Taxpayers in the Military
206	Form 140NPR, Part-Year and Nonresident Personal Income Tax Return
	Adjustments to Income
251	Special Subtraction for Federal Income Tax
	Itemized Deductions
301	Employee Business Expenses
302	Moving Expense
	Tax Credits
401	Arizona Form RPTC, Certification of Renter's or Property Tax Credits
402	How to Find the Parcel I.D. No. for the Renter's or Property Tax Credits
403	How to Claim Your Property Tax Credit on Arizona From 140PTC
	General Information
451	Extensions for Time to File Your Tax Return

Tape No.	Subject
452	The Most Common Errors Made on Individual Income Tax Returns
453	Requirements for Locating Unclaimed Property
454	How to Make Estimated Tax Payments (Individuals)

ADOR Notices and Letters

501	What Happens if a Return is Filed Late?
502	What Should I Do if I Receive a Bill?
503	Taxpayer Information Regarding Penalty

Sales, Use and Withholding Tax

601	How to Apply For a Sales Tax License
602	How to Cancel a Tax License
603	How to Compute a County Transportation Excise Tax on Form ST-1
604	The Six Most Common Sales Tax Filing Errors
605	Arizona Use Tax
606	How to Compute the Pinal County Transportation Tax
607	Maricopa County Transportation Excise Tax
608	Sales Tax on Personal Property Rentals
609	Personal Property Rentals: Special Situations
610	Sales Tax on Real Property Rentals: The Basics
611	Real Property Rentals: Special Situations
612	Sales Tax on Hotel/Motel: The Basics
613	Hotel/Motel Tax: Special Situations
614	Sales Tax on Restaurants and Bars: The Basics
615	Restaurants and Bars: Special Situations
616	Retail Sales: The Basics
617	Sales Tax on Amusements: The Basics
618	Amusements: Special Situations

DEPARTMENT OF REVENUE TELEPHONE DIRECTORY

SUBJECT	AREA TO CONTACT	PHOENIX TELEPHONE	TUCSON TELEPHONE
General Tax Questions	Taxpayer Information and Assistance (TIA)	255-3381	628-6421
Hearing Impaired Line	Taxpayer Information and Assistance (TIA)	542-4021	—
Arizona Tax News	Public Information Office	542-3062, ext. 58	—
Bingo Licenses	Bingo Section	542-3227	628-5412
City Sales Tax			
Program Information	City Desk - Audit	542-3345, ext. 72	—
Verification of Tax	Econometrics	542-3887, ext. 146	—
Criminal Tax — Violations	Criminal Investigations	542-3887, ext.166	—
Delinquencies			
Billings	Taxpayer Information and Assistance (TIA)	255-2060	628-6421
Liens	Collections	542-4573	628-6480
Penalty Abatement	Collections	542-3087	—
Estate Tax	Estate Tax Unit	542-4562, ext. 186	—
Exempt Organization	Corporate	542-3345, ext. 116	—
	Sales	542-3345, ext. 144	—
Fiduciary Returns	Fiduciary Desk	542-4022	628-6421
Forms, Bulk Order	Licensing Section	542-4260	—
Hearings	Hearing Office	542-4643, ext. 159	—
Notification of Adjustment			
Billings	Taxpayer Information and Assistance (TIA)	255-2060	628-6421
Refunds	Taxpayer Information and Assistance (TIA)	255-3381	628-6421
Licensing			
Sales Tax-Use Tax-Withholding Tax	Licensing Section	542-4576	628-6488
Luxury Tax-Liquor Invoices/Reports	Comptroller Section - Special Tax Accounting	542-4643, ext. 39	—
Monthly Reports/Payments			
Bonding & Credit Customers			
Stamp Orders	Licensing Section	542-4260	—
Ombudsman	Ombudsman	542-3887, ext. 156	—
Property Valuation / Taxes	Property Valuation & Equalization Division	542-3529	628-6495
Protests	Corporate	542-3345, ext. 161	628-5599
	Individual Audit Cases	542-3345, ext. 143	628-5599
	Sales & Use Tax	542-3345, ext. 35	628-5599
	Refund Denial	255-3381	628-5599
Refunds	Taxpayer Information and Assistance (TIA)	255-3381	628-6421
Tax Policy	Tax Policy Section	542-4672	—
Training/Taxpayer Education	Taxpayer Support & Educational Services	542-4672, ext. 22	—
Unclaimed/Abandoned Property	Comptroller Section-Special Tax Accounting	542-4643, ext. 42	—
Withholding-Bill/Correction, Notices	Taxpayer Information and Assistance (TIA)	255-2060	628-6421
Pre-Recorded Tax Information Tapes	Tax Tapes	542-1991	—
Toll-free in state	Taxpayer Information and Assistance (TIA)	1-800-352-4090	—

Department of Revenue Mailing Addresses

The following are the current mailing addresses for tax forms and various Department of Revenue sections:

Taxpayer Information & Assistance General Information, Refund Issues Billing Inquiries	Arizona Department of Revenue P.O. Box 29086 Phoenix, Arizona 85038-9086
License and Registration, Forms	Arizona Department of Revenue P.O. Box 29069 Phoenix, Arizona 85038-9069
Corporate Income Tax, S-Corporation, Exempt Organization, Partnership Income Tax	Arizona Department of Revenue P.O. Box 29079 Phoenix, Arizona 85038-9079
Sales, Use & Severance Tax	Arizona Department of Revenue P.O. Box 29010 Phoenix, Arizona 85038-9010
Withholding Tax	Arizona Department of Revenue P.O. Box 29009 Phoenix, Arizona 85038-9009
Individual Income Tax	Arizona Department of Revenue P.O. Box 29002 Phoenix, Arizona 85038-9002
Individual Income Tax Audit	Arizona Department of Revenue P.O. Box 29080 Phoenix, Arizona 85038-9080
Individual Estimated Tax Payment	Arizona Department of Revenue P.O. Box 29085 Phoenix, Arizona 85038-9085
Estate Tax, Report of Personal Representative of Decedent	Arizona Department of Revenue Estate Tax Office 1600 West Monroe Phoenix, Arizona 85007
Fiduciary Income Tax	Arizona Department of Revenue P.O. Box 29002 Phoenix, Arizona 85038-9002
Assumption of Duties in a Fiduciary Capacity	Arizona Department of Revenue Fiduciary Unit 1600 West Monroe - Third Floor Phoenix, Arizona 85007
Bingo Financial Reports	Arizona Department of Revenue Bingo Section 1600 West Monroe Phoenix, Arizona 85007
Criminal Investigation Section	Arizona Department of Revenue Criminal Investigation Section P.O. Box 25248 Phoenix, Arizona 85002
Property Tax	Arizona Department of Revenue ATTN: Property Valuation and Equalization Division 1600 West Monroe - 8th Floor Phoenix, Arizona 85007
Tax Policy Section	Arizona Department of Revenue 1600 West Monroe - Room 810 Phoenix, Arizona 85007
Collections Division Field & Office Collections Phoenix & Tucson	Arizona Department of Revenue P.O. Box 29070 Phoenix, Arizona 85038-9070
Letter of Good Standing Corporate Tax Income Tax Sales Tax Withholding Tax	Arizona Department of Revenue Letter of Good Standing P.O. Box 29070 Phoenix, Arizona 85038-9070 ATTN: Collections Support Services
Letter of Good Standing Income Tax Certificate (for deceased individual)	Arizona Department of Revenue Fiduciary Unit, Third Floor Certificate Request 1600 West Monroe Phoenix, Arizona 85007
Penalty Abatement Requests	Arizona Department of Revenue Collections Division Penalty Review Unit P.O. Box 29070 Phoenix, Arizona 85038-9070
Arizona Tax News	Arizona Department of Revenue Arizona Tax News Public Information Office 1600 West Monroe - Ninth Floor Phoenix, Arizona 85007

Walk-In Taxpayer Assistance Offices
NOTE: No mail accepted at the Tempe and Tucson offices

Arizona Department of Revenue
1600 West Monroe
Phoenix, Arizona

Arizona Department of Revenue
402 West Congress
Tucson, Arizona

Arizona Department of Revenue
1440 East Southern Avenue
Tempe, Arizona